



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bills 1097, 1098, and 1099 (as reported without amendment)
Senate Bill 1100 (Substitute S-1 as reported)
Sponsor: Senator Peter MacGregor (S.B. 1097)
Senator David Knezek (S.B. 1098)
Senator Jim Stamas (S.B. 1099)
Senator Dave Hildenbrand (S.B. 1100)
Committee: Veterans, Military Affairs and Homeland Security

CONTENT

Senate Bill 1100 (S-1) would enact the "Michigan Veterans' Facility Authority Act" to create the Authority within the Department of Veterans and Military Affairs (DMVA) and do the following:

- Permit the Authority to develop or operate veterans' facilities; and specify other powers and duties of the Authority.
- Require the Authority to exercise its duties through a board of directors, and provide for the composition and operation of the board.
- Provide that the DMVA Director would serve as chairperson of the board until one year after the second facility operated by the Authority was open and housing veterans.
- Specify that the DMVA Director then would serve as a nonvoting board member; the board would have to elect a new chairperson; and a new member, who was a veteran, would have to be appointed by the Governor.
- Require the Authority to give hiring preference to employees currently employed by the Michigan veterans' facility under Public Act 152 of 1885.
- Require the Authority to consider both nationally recognized models and guidelines for the delivery of health care and Civil Service Commission rules and regulations, when determining the operation and staffing needs of a veterans' facility.
- Exempt the Authority's property and its income and operations from State and local taxation.
- Allow the Authority to issue bonds in order to provide funds for achieving its authorized purposes.
- Prohibit the Authority from issuing bonds for qualified residential rental projects, qualified mortgage bonds, or mortgage credit certificates, as those terms are defined in the Internal Revenue Code.
- Specify that an Authority board member, officer, appointee, or employee would not be subject to personal liability when acting in good faith within the scope of his or her authority or due to the liability of the Authority.
- Prohibit a board member, officer, employee, or agent of the Authority from having a conflict of interest in the business of the Authority.
- Require the Authority to submit an annual report, and certain supplemental reports, to the Governor and the Legislature.
- Require the Authority to be subject to annual audits by the Auditor General or a certified public accountant appointed by the Auditor General.

Senate Bill 1097 would amend Public Act 152 of 1885, which governs veterans' facilities, to define "Michigan veterans' facility" as a long-term care facility and ancillary facilities for

veterans and their dependents. The term would not include a veterans' facility as that term would be defined in the proposed Michigan Veterans' Facility Authority Act.

Senate Bill 1098 would amend Public Act 152 of 1885 to allow the board of managers of the Michigan veterans' facility to enter into contracts with an authority under the proposed Michigan Veterans' Facility Authority Act to do one or both of the following:

- Lease, sell, or otherwise convey property to the Authority for the development of a veterans' facility, as defined in the proposed Act.
- Enter into any other agreement regarding the care or housing of veterans in a Michigan veterans' facility.

Senate Bill 1099 would amend Public Act 152 of 1885 to do the following:

- Require the board of managers to file annual and supplemental reports with the Governor and the Legislature.
- Require the board's accounts to be subject to annual audits.

Senate Bills 1097, 1098, and 1099 each would take effect 90 days after enactment, and each of those bills is tie-barred to Senate Bill 1100.

MCL 36.2a (S.B. 1097)
Proposed MCL 36.9 (S.B. 1098)
Proposed MCL 36.10 (S.B. 1099)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bills would create the Michigan Veterans' Facility Authority, define its status and responsibilities, along with those of the board of managers of the State's homes for veterans, and allow the Authority a wide range of options to hire, bond, sue, be sued, enter into contracts and purchases, and develop or operate one or more veterans' homes, among other powers. Initially, during the first few months following their effective date, the bills would result in a moderate cost to the State, but then could require many millions in expenditures, depending entirely on the policy determinations of the Authority.

Senate Bill 1099 would require the board of managers to file with the Governor and Legislature written annual reports, and other reports and notifications. Much of the information required in these reports is already provided through quarterly reporting requirements under the current fiscal year 2016-17 appropriations act for the DMVA, Public Act 268 of 2016, Article XIV, and should impose no additional fiscal burden on the Department. The bill also would require the board of managers to be subject to annual audits by the State Auditor General or a certified public accountant appointed by the Auditor General and would require a performance audit by the Auditor General under certain circumstances. While full financial audits of programs are not necessarily performed on an annual basis for all individual State programs, it is within the existing fiscal resources of the Office of the Auditor General to do so, as any performance audit required by the bill would be.

Senate Bill 1100 (S-1) would create the nine-member Michigan Veterans Facility Authority, whose members could receive per diem meeting costs but would otherwise serve without compensation. Depending how often the Authority would meet, and assuming an average per diem cost of \$50 per member per meeting, this cost could reach several thousand dollars annually. Although the Authority would be required to exercise its duties independently of the Department, the bill states, "The staffing, budgeting, procurement, and related administrative functions of the authority may be performed under the direction and supervision of the director of the department." It has been suggested that the Department could fill this staffing and support role in the initial stages of the Authority's existence through the resources of the DMVA's veterans' health system office (or other Department offices), but with the focus of the veterans' health system office being to serve the

two existing State homes for veterans, it would be a short time--should the Authority become particularly active--before a separate administrative office, including the hiring of a CEO, could be needed. Preliminary estimates for the annual cost of a fully operational authority in the startup years are in the range of \$2.2 million, which includes staffing costs of \$1.0 million. It is anticipated that at some point the duties and existing positions within the existing veterans' health system office would be merged with the Authority operations, eliminating the need for the current budget of approximately \$600,000 for a separate health system office.

In regard to projecting the costs of developing a new veterans' facility, as the Authority would have the power to do, there have been estimates that a new facility could be built in Detroit housing 125 veterans for a cost of \$82.0 million (\$53.0 Federal, \$29.0 million GF/GP or other fund source) and a new facility in Grand Rapids could be built for a cost of \$70.0 (\$45.0 Federal, \$25.0 million GF/GP or other fund source). Annual operating costs of the proposed facilities, and the costs or savings of closing an existing facility, have not yet been estimated.

It should be noted that the staffing and other costs of establishing an Authority office, building a new veterans' facility, or any other possible function of the Authority that could require funding would not be appropriated under these bills and would require either the passage of appropriations acts or the generation of revenue independently by the Authority under the powers proposed by Senate Bill 1100 (S-1).

The bill also would require the Authority to provide reports to the Governor and Legislature, which would mirror those required for the board of managers under the provisions of Senate Bill 1099.

Date Completed: 11-16-16

Fiscal Analyst: Bruce Baker

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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.