

# HOUSE BILL NO. 5154

June 24, 2021, Introduced by Reps. Paquette and Yaroch and referred to the Committee on Government Operations.

A bill to amend 1980 PA 243, entitled "Emergency municipal loan act," by amending sections 3 and 7 (MCL 141.933 and 141.937), section 3 as amended by 2016 PA 197 and section 7 as amended by 2015 PA 115.

**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,

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

6 (a) Authorize loans to municipalities other than school  
7 districts that total up to \$48,000,000.00 during the period. Loans  
8 to a single municipality under this subdivision ~~shall~~**must** not  
9 total more than \$20,000,000.00.

10 (b) Except as otherwise provided in this subdivision,  
11 authorize loans to municipalities that are school districts that  
12 total up to \$70,000,000.00 during the period. Except as otherwise  
13 provided in this subdivision, loans to a single school district  
14 under this subdivision ~~shall~~**must** not total more than  
15 \$20,000,000.00. In addition, the board may authorize a loan of up  
16 to \$150,000,000.00 for transitional operating costs to a school  
17 district that is or becomes a qualifying school district as  
18 described in section 12b of the revised school code, 1976 PA 451,  
19 MCL 380.12b, of which not more than \$25,000,000.00 may be  
20 authorized and used for deferred facilities maintenance. As used in  
21 this subdivision, "transitional operating costs" includes, but is  
22 not limited to, academic and instructional support; professional  
23 transition costs such as information technology, legal accounting,  
24 human resources, and financial services; payments to vendors; costs  
25 relating to changes in timing of grant funding or reimbursements;  
26 cash flow needs; insurance; academic program expenditures; deferred  
27 facilities maintenance; space consolidation; and facilities  
28 rationalization.

29 (2) The board may authorize loans under this act to a county

1 within the following limitations:

2 (a) In the 1998-99 state fiscal year, the board may authorize  
3 loans under this act to a county with a population greater than  
4 1,500,000.

5 (b) For a state fiscal year in which the block grant  
6 appropriated to a county with a population of more than 1,500,000  
7 that is organized under 1966 PA 293, MCL 45.501 to 45.521, and that  
8 is a county juvenile agency is less than the amount required to be  
9 distributed to that county in that year under the social welfare  
10 act, 1939 PA 280, MCL 400.1 to 400.119b, the board may authorize a  
11 loan to that county in an amount not greater than the difference  
12 between the amount of the block grant and the amount required to be  
13 distributed to that county for that fiscal year under the social  
14 welfare act, 1939 PA 280, MCL 400.1 to 400.119b. The board is not  
15 required to authorize loans under this subdivision to a county for  
16 more than 1 state fiscal year.

17 (3) If in a state fiscal year the block grant appropriated to  
18 a county other than a county described in subsection (2) that is a  
19 county juvenile agency is less than the amount required to be  
20 distributed to that county in that year under the social welfare  
21 act, 1939 PA 280, MCL 400.1 to 400.119b, the board may authorize a  
22 loan to that county in an amount not greater than the difference  
23 between the amount of the block grant and the amount required to be  
24 distributed to that county under the social welfare act, 1939 PA  
25 280, MCL 400.1 to 400.119b, in that state fiscal year.

26 (4) Sections 6(2) and 7 and the conditions listed in section  
27 4(1) do not apply to a loan authorized under subsection (2) or (3).

28 (5) The proceeds of a loan made under subsection (2) or (3)  
29 ~~shall~~**must** be maintained in a separate account and ~~shall~~**must** not

1 be commingled with the county's general fund or any other special  
2 fund or account.

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

6 (7) The proceeds of a loan made under subsection (2) or (3)  
7 are subject to the county juvenile agency act, 1998 PA 518, MCL  
8 45.621 to 45.631.

9 (8) Except as otherwise provided in this subsection, revenue  
10 for loans made under this act ~~shall~~**must** be provided from the  
11 surplus funds of this state under authorization granted under  
12 section 1 of 1855 PA 105, MCL 21.141, or from the repayment  
13 proceeds of other loans issued under this act or sold or  
14 transferred under section 6a. Alternatively, for a school district,  
15 revenue for a loan made under this act may be provided from money  
16 advanced to the school district by this state from money  
17 appropriated from the state school aid fund established under  
18 section 11 of article IX of the state constitution of 1963 and  
19 payable to the school district under the state school aid act of  
20 1979, 1979 PA 94, MCL 388.1601 to 388.1896.

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

25 (a) The municipality is in compliance with the terms of the  
26 loan and any other requirements applicable to the municipality  
27 under this act.

28 (b) The municipality is in compliance with any requirements  
29 relating to a deficit elimination plan under state law.

1 (c) The municipality is in compliance with any applicable  
2 neutral evaluation process, settlement agreement, consent  
3 agreement, or order of an emergency manager **or a financial**  
4 **management team** under the local financial stability and choice act,  
5 2012 PA 436, MCL 141.1541 to 141.1575, or a successor statute.

6 (d) For a municipality that is a school district, the school  
7 district is in compliance with all requirements for receipt of the  
8 foundation allowance and any other requirements applicable to the  
9 school district under the state school aid act of 1979, 1979 PA 94,  
10 MCL 388.1601 to 388.1896.

11 (e) For a municipality other than a school district, the  
12 municipality is in compliance with statutory revenue sharing or  
13 other requirements applicable to the municipality under the Glenn  
14 Steil state revenue sharing act of 1971, 1971 PA 140, MCL 141.901  
15 to 141.921.

16 (f) The restructuring of payments complies with applicable  
17 law.

18 (g) The loan has not been sold or transferred under section  
19 6a.

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

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

25 (a) Except as otherwise provided in this subdivision, employ a  
26 full-time professional administrator or contract with a person with  
27 expertise in municipal finance and administration to direct or  
28 participate directly in the management of the municipality's  
29 operations until otherwise ordered by the board. If the

1 municipality is in receivership under the local financial stability  
2 and choice act, 2012 PA 436, MCL 141.1541 to 141.1575, or a  
3 successor statute, the emergency manager **or financial management**  
4 **team** may perform the functions of the full-time professional  
5 administrator under this subdivision.

6 (b) Not more than 6 months after receiving a loan and  
7 semiannually after that date for the period the loan is  
8 outstanding, submit to the board an evaluation of the performance  
9 of the municipality against the 5-year plan submitted under section  
10 4(1).

11 (c) Submit all of the following to the board on a quarterly  
12 basis:

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

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

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

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

23 (v) A balance sheet indicating whether total estimated  
24 expenditures for the current fiscal year and for the last quarter  
25 exceed the total estimated revenues for the current fiscal year and  
26 for the last quarter, respectively.

27 (d) Submit the general appropriations act of the municipality,  
28 and any amendments to that act, adopted under the uniform budgeting  
29 and accounting act, 1968 PA 2, MCL 141.421 to 141.440a, or any

1 equivalent report as may be required by the board if the  
2 municipality is not required to adopt a general appropriations act.

3 (e) Submit any budget change in the current fiscal year or any  
4 amendment to the general appropriations act of the municipality for  
5 the current fiscal year to the board before adoption.

6 (f) Submit any budget for the ensuing fiscal year or the  
7 general appropriations act of the municipality for the ensuing  
8 fiscal year to the board before adoption.

9 (g) Certify that the municipality has fully complied with all  
10 statutory requirements concerning use of the uniform chart of  
11 accounts and audits.

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

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

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

22 Enacting section 1. This amendatory act takes effect 90 days  
23 after the date it is enacted into law.

24 Enacting section 2. This amendatory act does not take effect  
25 unless Senate Bill No. \_\_\_\_ or House Bill No. 5141 (request no.  
26 00333'21) of the 101st Legislature is enacted into law.