# Emergency Municipal Loan Act

## Proposed Changes

Thursday, April 26, 2012

# Emergency Municipal Loan Act P.A. 243 of 1980

- Existing Program
- Proposed Amendments
- Source of Funds

# Emergency Municipal Loan Act P.A. 243 of 1980

## Existing Program

- Provides emergency financial assistance to fiscally distressed municipalities with potentially no other borrowing options
- Application process includes certification of qualifying conditions that substantiate financial distress
- Subject to the approval of the emergency financial assistance loan board
  - State Treasurer
  - Director Dept of Licensing and Regulatory Affairs
  - Director Dept of Technology, Management, and Budget

# Emergency Municipal Loan Act P.A. 243 of 1980

## Existing Program

- Limits now in effect
  - $3,000,000 per year per municipality
  - $5,000,000 per year total State loans
  - eligible 5 years of a 10 year period
- Currently $68 million outstanding emergency loans
- Funds from the State Treasurer's common cash pool
- Repayment period starts 10 years from date of issuance
- Full repayment in 10 equal annual installments
- Secured by ability to intercept state revenue sharing payments

# Emergency Municipal Loan Act P.A. 243 of 1980

## Proposed Amendments

Expands the program to include:

- School districts where enrollment has declined by 15% or more over the last 3 years
- A municipality in receivership or under a consent agreement or under an emergency manager
- A municipality with a delinquent special assessment or financially distressed tax-increment financing authorities

# Emergency Municipal Loan Act P.A. 243 of 1980

## Proposed Amendments

- Temporary Cap Increase: Oct 1, 2011 through Sep 30, 2018
  - Authorizes total State loans $100,000,000
  - Limits total loans to a single municipality $20,000,000
- Future Cap: After Sep 30, 2018
  - Authorizes total State loans $15,000,000 per year
  - Limits loans to a single municipality $5,000,000 per year
- Eligibility 5 years of a 10 year period remains unchanged
- ELB may establish terms of repayment up to 30 years from the date of issuance.

# Emergency Municipal Loan Act P.A. 243 of 1980

## Proposed Amendments

Allows the State Treasurer to:

- Sell and repurchase emergency loans through the Michigan Finance Authority (MFA)
  - Similar to other loan programs offered by the MFA
- Permits changes to the terms of the loans needed to enhance security including
  - Adjustment of the interest rate and repayment terms to facilitate the sale

Included in the bill package:

- For loans to school districts, adds State School Aid and local operating millage as a source to ensure timely repayment

# State Treasurer's Common Cash

## Manageable Common Cash

Cash on hand and available to transfer among the various funds, in order to:

- Best manage available cash
- Maximize short-term investments
- Ensure obligations are paid when due

Manageable Common Cash Month End Balances: FY 2007, FY2011 & FY2012

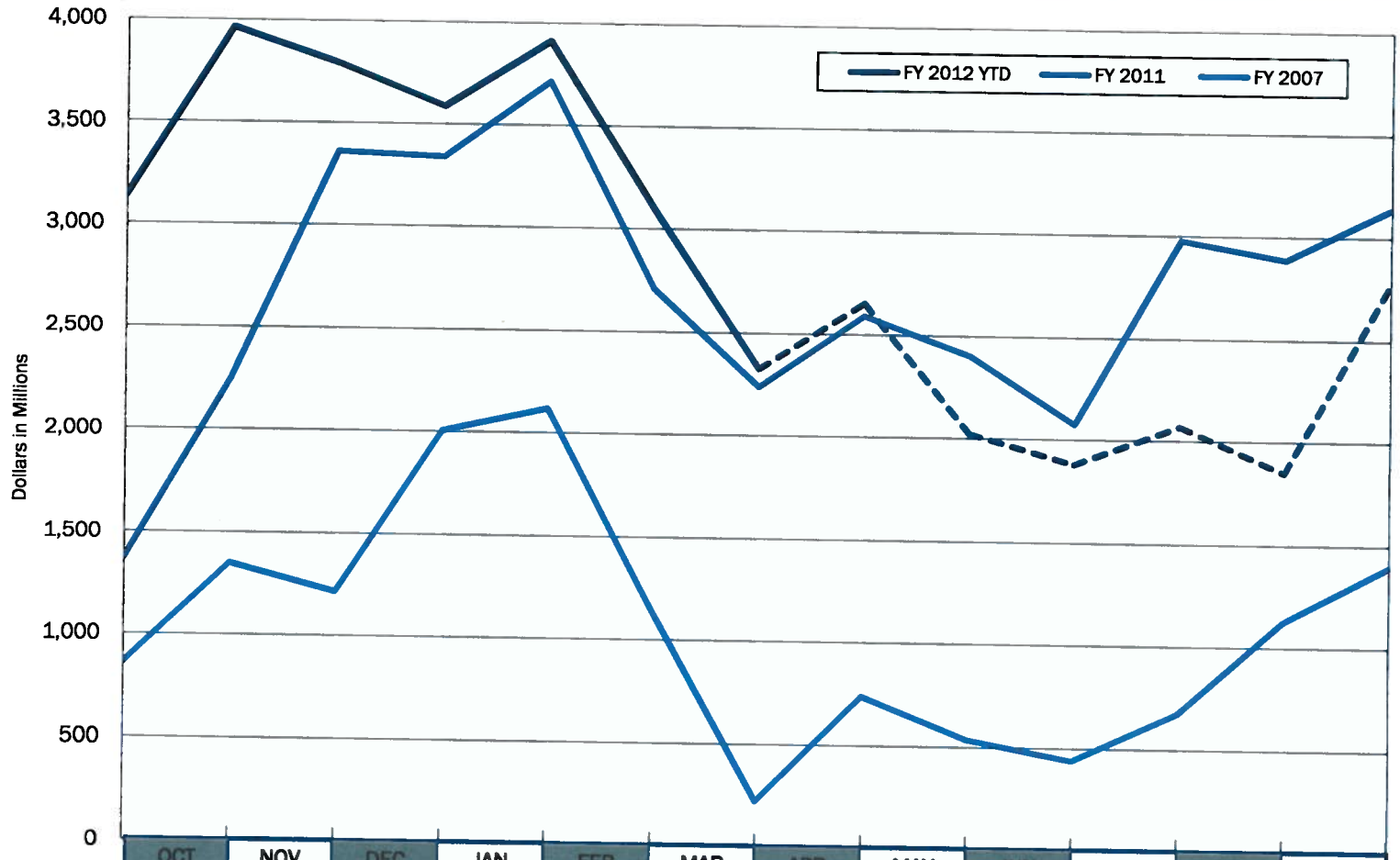
| | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY 2012 YTD | 3,962.8 | 3,792.1 | 3,587.4 | 3,910.5 | 3,092.3 | 2,325.9 | 2,651.4 | 2,020.9 | 1,877.3 | 2,069.4 | 1,847.5 | 2,770.8 |
| FY 2011 | 2,248.8 | 3,359.3 | 3,339.0 | 3,713.8 | 2,707.7 | 2,236.8 | 2,590.2 | 2,402.8 | 2,072.6 | 2,977.0 | 2,886.9 | 3,136.8 |
| FY 2007 | 1,349.4 | 1,214.3 | 2,002.7 | 2,117.9 | 1,142.5 | 221.8 | 738.6 | 534.7 | 440.4 | 674.1 | 1,124.2 | 1,394.6 |

# State Treasurer's Common Cash

## Manageable Common Cash

- Includes – General, School Aid, Budget Stabilization, Special Revenue, Trust and Agency Funds
- Does not include-Bond and Retirement Funds
- FY 2007 includes $1.3B ST notes issued in Dec and repaid in Sep
- FY 2011 includes $1.1B ST notes issued in Nov and repaid in Sep
- FY 2012 without issuing ST notes

Manageable Common Cash Month End Balances: FY 2007, FY2011 & FY2012

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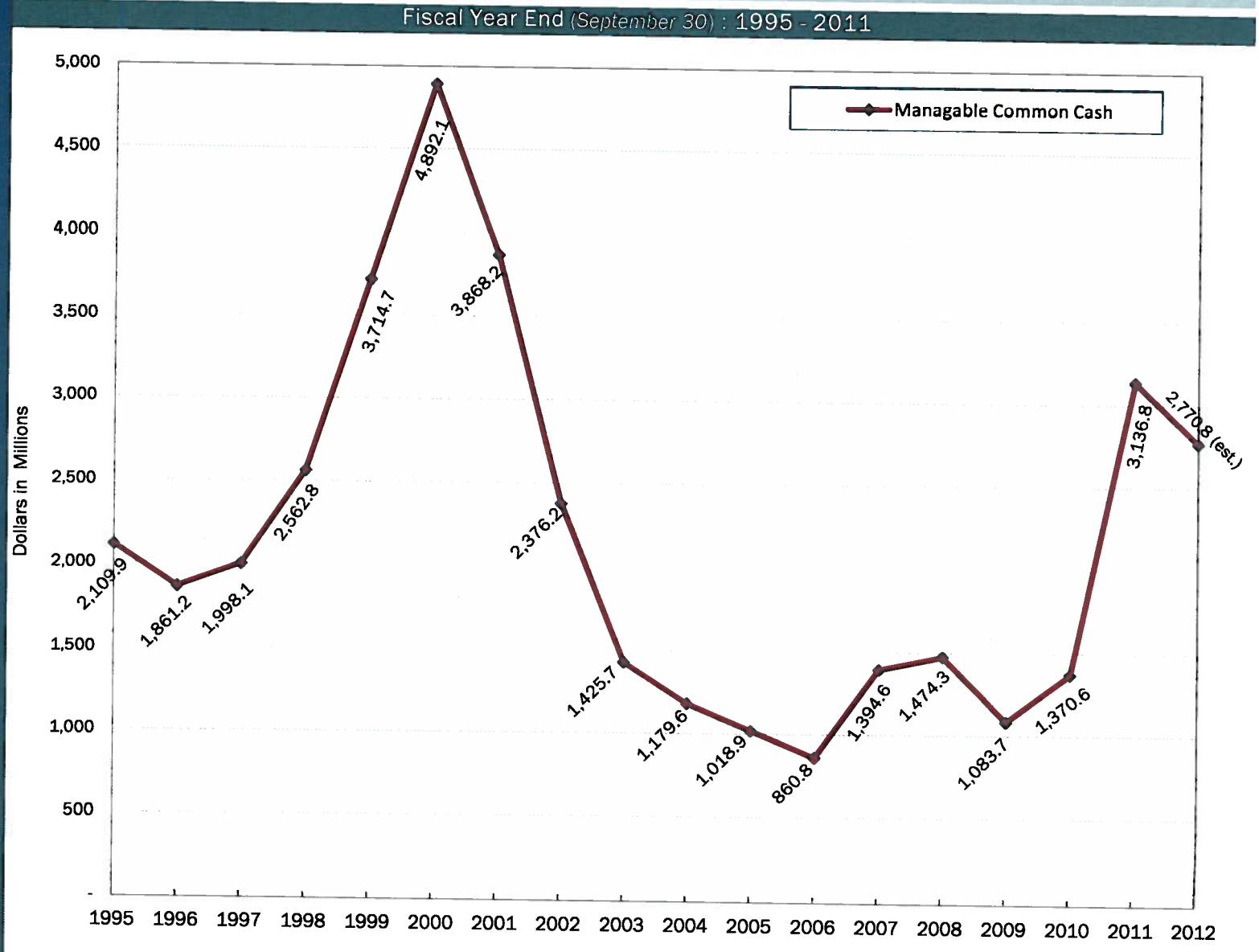
# Historical Manageable Common Cash

**Combined Cash Balances of State Funds**

**$2.2 billion improvement**

**Between Sep 30, 2006 and Sep 30, 2011**