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Senate Bill 1251 (as introduced 12-3-20)  
Sponsor: Senator Jim Stamas  
Committee: Committee of the Whole

Date Completed: 12-9-20

### **CONTENT**

**The bill would amend the Michigan Strategic Fund Act to do the following:**

- **Allow the Michigan Strategic Fund (MSF) to make loans to the Special Purpose FWC Settlement Entity.**
- **Require the Settlement Entity to use loan proceeds only to pay the expenses, costs, and fees associated with the Entity, to reimburse the State for its initial \$5 million dollar payment to the FWC Qualified Settlement Fund, and to pay to the Fund the settlement amount agreed to by the State of Michigan, or to assist in alleviating health issues of Michigan citizens and to ensure continued State fiscal stability and credit worthiness.**
- **Amend the definition of "project" to include the resolution and settlement of pending claims and assisting to alleviate health issues of Michigan citizens through a loan to the Settlement Entity.**
- **Allow the MSF to borrow money and issue bonds and notes to finance part of all of the project costs of the Settlement entity.**

Under the bill, the purpose of the Act would be amended to include making loans to the Special Purpose FWC Settlement Entity, which in turn would use the loan proceeds only to pay the expenses, costs, and fees associated with the Settlement Entity, to reimburse the State for its initial \$5.0 million payment to the FWC Qualified Settlement Fund, and to pay to the Settlement Fund the settlement amount agreed to by the State of Michigan in the settlement agreement and related preliminary approval orders, any amendments to those orders, or the subsequent final approval ordered that will be entered by the court in the consolidated cases know as *In re Flint Water Cases*, No. 5:16-cv-10444-JEL-MKM (ED Mich), or as to assist in alleviating health issues of Michigan citizens and to ensure continued State fiscal stability and credit worthiness. "FWC Qualified Settlement Fund" would mean the FWC Qualified Settlement Fund described in the settlement agreement approved by the court in *In re Flint Water Cases*.

The bill would amend the definition of "project" to include the resolution and settlement of pending claims and assisting to alleviate health issues of Michigan citizens through a loan to the Settlement Entity, which entity may use those loan proceeds only to pay the expenses, costs, and fees associated with the Settlement Entity, to reimburse the State for its initial \$5.0 million payment to the Settlement Fund, and to pay the Settlement Fund.

"Special Purpose FWC settlement Entity" would mean the Special Purpose FWC Settlement Entity described in the settlement agreement approved by the court in *In re Flint Water Cases*.

Additionally, the bill would allow the MSF to borrow money and issue bonds and notes to finance part or all of the project costs of the Special Purpose FWC Settlement Entity, which could use the financed proceeds only to pay the expenses, costs, and fees associated with the Settlement Entity, to reimburse the State of Michigan for its initially \$5.0 million payment to the Settlement Fund, and to pay the Settlement Fund, and which would have to be secured by a pledge of repayment from anticipated State appropriations and from any other sources.

Lastly, the bill would amend the declared purpose of the MSF to include the phrase "to promote economic stability and growth".

MCL 125.2002 et seq.

Legislative Analyst: Dana Adams

### **FISCAL IMPACT**

The bill would have a negative fiscal impact on the State and the MSF. As part of the settlement agreement in *In re Flint Water Cases*, the State is required to issue \$5.0 million to the Special Purpose FWC Settlement Entity within 15 days of the preliminary court approval of the consolidated Flint water settlement agreement, which is estimated to occur in February 2021. The \$5.0 million would be used to pay the expenses, costs, and fees associated with creating and administering the Special Purpose FWC Settlement Entity. The deposit would be funded from the proceeds of bond issuances by the MSF. The bonds would be secured by a pledge of repayment from anticipated state appropriations and any other sources to the Michigan Strategic Fund. The initial deposit represents only a small portion of the full \$600.0 million settlement agreement.

Fiscal Analyst: Cory Savino, Ph.D.

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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.