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LOCAL GOVERNMENT UNIFORM BUDGETING AND ACCOUNTING

House Bill 5846

Sponsor: Rep. Marc Shulman

**Committee: Local Government and Urban
Policy**

Complete to 9-25-00

A SUMMARY OF HOUSE BILL 5846 AS INTRODUCED 5-25-00

House Bill 5846 would amend the Uniform Budgeting and Accounting Act to update accounting standards and procedures for local units of government.

Currently the state treasurer prescribes uniform charts of accounts for all local units of similar size, function, or service designed to fulfill the requirements of good accounting practices. That chart of accounts conforms as nearly as practicable to the uniform standards set forth in "Governmental Accounting, Auditing, and Financial Reporting, 1980" as revised, published by the Municipal Finance Officers' Association of the United States and Canada. House Bill 5846 would require instead that charts of accounts conform to the uniform standards set by the Governmental Accounting Standards Board, or by a successor organization that established national generally accepted accounting standards, and was determined acceptable to the state treasurer.

Currently the law makes reference to certain funds for which a local unit acts as a trustee or agent. The bill would retain that provision, and would revise the names of the funds (and references to those funds): the intra governmental service fund would become the internal service fund; the public improvement or building and site fund would become the capital project fund; and, the special assessment fund would become the debt service fund.

The bill would revise the reference to an "official granted general administrative control of an authority or organization of government established by law" to delete a reference the this entity's ability to issue obligations pursuant to the municipal finance act, and to levy a property tax. Other definitions that include references to this type of governmental entity would be similarly revised.

The law defines "fiscal officer" to mean the controller, finance director, business manager, or other elected or appointed official who prepares and administers the budget of a local unit. Under the bill, this definition would be eliminated, as would references to "fiscal officer" within the act. The responsibilities that now generally rest with the chief administrative officer, or in the absence of an official so-designated, with the fiscal officer, would be reserved instead for the administrative officers and others in a local unit's management team.

Currently the law describes the kind of financial information that is required in the annual financial report for each fiscal year, including derivative instruments or products in the local unit's nonpension and pension investment portfolios. Under the bill, the statement also would include derivative instrument or products in any nonpublic and public employee health care funds.

The law requires that one copy of an annual financial report, and one copy of the audit report, be filed with the state treasurer within 120 days after the end of the fiscal year of the local unit. The bill would modify this reference by changing it from 120 days to six months. The law further specifies that the governing body may request an extension of the filing date from the state treasurer, and the state treasurer may grant the request for reasonable cause. Under the bill, this provision would be retained, but the local unit (rather than the governing body of a local unit) would request the extension. The law also requires the state treasurer to grant a 60-day extension if the local unit presents evidence that the audit is in progress, and will be completed within 180 days after the end of the fiscal year. Under the bill, this provision would be eliminated.

Under the law, every audit report must, among other things, state that the financial statements in reports have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and with applicable rules and regulations of any state department or agency. Under the bill, the phrase “applied on a consistent basis” would be eliminated.

Under current law, the chief administrative officer has final responsibility for budget preparation, presentation of the budget to the legislative body, and the control of expenditures under the budget and the general appropriations act, unless otherwise provided by law, charter, resolution, or ordinance. The chief administrative officer is required to prepare a recommended annual budget and to transmit the budget to the legislative body using a time schedule that allows adequate time for review before the budget year starts. House Bill 5846 would require that the time schedule also allow adequate time for adoption (in addition to review). The law requires that the chief administrative officer furnish information that the legislative body requires for proper consideration of the recommended budget, and it specifies that this may include expenditure and revenue data on the local unit’s most recently completed fiscal year. House Bill 5846 would retain this provision but would eliminate the sentence “This may include expenditure and revenue data on the local unit’s most recently completed fiscal year.”

The law currently requires that certain information be included in the recommended budget. House Bill 5846 would eliminate some kinds of information. Specifically, under the law the budget must include an estimate of the amounts needed for deficiency, contingent, or emergency purposes. This provision would be retained under the bill, but the phrase “and the amounts needed to pay and to discharge the principal and interest of debt of the local unit due in the ensuing fiscal year” would be deleted.

Further, the bill would delete the requirement that the budget include “The amount of proposed capital outlay expenditures, except those financed by enterprise, public improvement or building and site, or special assessment funds, including the estimated total cost and proposed method of financing of each capital construction project and the projected additional annual operating cost and the method of financing the operating costs of each capital construction project for three years beyond the fiscal year covered by the budget.” In addition, the bill would delete the requirement that the budget include “An informational summary of projected revenues and expenditures of any special assessment funds, public improvement or building and site funds, intra governmental service funds, or enterprise funds, including the estimated total costs and proposed method of financing each capital construction project, and the projected additional annual operating

cost and the method of financing the operating costs of each capital construction project for three years beyond the fiscal year covered by the budget.”

MCL 141.421 et al

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#This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.