House
Legislative
Analysis
Section

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COUNTIES: REVISED FISCAL YEAR

House Bill 4966 with committee amendment
First Analysis (10-13-93)

Sponsor: Rep. Robert Brackenridge
Committee: Local Government

THE APPARENT PROBLEM:

Public Act 174 of 1943 establishes the fiscal year for counties, county road commissions and other county agencies. Currently, most counties and their respective agencies are required to follow a fiscal year based on the calendar year and are required to file fiscal year accounting reports within 30 days after the April meeting of the county board of commissioners. (A county with over 1.5 million people--i.e., Wayne County--and county road commissions, however, may have a fiscal year similar to the state's, which runs from October 1 of a calendar year to September 30 of the following year, and in such cases are subject to different filing dates for fiscal reports.) A calendar fiscal year for counties and county agencies was established by law back when the state also followed a calendar fiscal year. In the early 1980s, however, Michigan decided to switch to a fiscal year that runs from October 1 of one year to September 30 of the next to help balance the state's budget during a severe economic downturn. Ever since then a number of counties and county agencies have found it burdensome to keep fiscal year accounting records that do not correspond with the state's. For instance, when the state provides grant money to counties it requires county officials to provide fiscal information that corresponds to its own fiscal year; thus, counties must provide data from two separate calendar/fiscal years. To relieve counties and their respective agencies of this administrative burden, some people believe each county should be allowed, at the option of its board of commissioners, to follow a fiscal year similar to the state's.

THE CONTENT OF THE BILL:

The bill would amend Public Act 174 of 1943 to specify that at the option of a county board of commissioners, a county with less than 1.5 million people could adopt an October 1 to September 30 fiscal year. If a county's fiscal year ended on September 30, annual county reports required by law and based in whole or part on accounting completed within the fiscal year would have to be filed before the following March 1.

MCL 45.201

FISCAL IMPLICATIONS:

The Department of Treasury says the bill would not affect state budget expenditures but could have fiscal impact for county governments. Local fiscal impact, however, would depend on each county's specific fiscal situation and could not be determined. (10-13-93)

ARGUMENTS:

For:

Ever since the state moved to a fiscal year running from October 1 of one year to September 30 of the next, a number of counties have found it difficult to report fiscal information to the state. When counties receive state grants they must report fiscal year data for the county that covers the state's fiscal year, which means they must report county fiscal information from two years. This process of reporting fiscal information twice confuses the public, the local investment community and others who regularly follow a county's budget process and read their financial statements. Reporting fiscal information twice also adds additional accounting work for county officials and raises county costs. Under the bill, a county could opt to follow a fiscal year that mirrors the state's to eliminate this dual reporting problem and save administrative costs.

For:

The bill offers a county the opportunity to improve its balance sheet by moving to a fiscal year similar to the state's, much as the state improved its own fiscal situation when it changed its fiscal year over a decade ago. A county that changed its fiscal year could, at least on paper, create a reserve that could be used to maintain or improve its credit rating, resulting in lower debt costs and savings to local taxpayers.

Response:
A county that opted to alter its fiscal year could improve its fiscal situation on paper but would not really change its underlying fiscal situation. Such a change, in fact, could distort county finances and be used by public officials to mislead taxpayers about the county's true fiscal status. The bill also could encourage officials in a county that opted to change to misuse the "extra revenue" available after a change occurred. Moreover, nothing in the bill would prevent a county that opted to change its fiscal year to later decide to change back to a calendar fiscal year if, for the same reason, such a change would improve its balance sheet. The bill at least should include a provision that would prevent a county that opted to change its fiscal year to then change back.

Against:
The bill could result in different counties following different fiscal years and confuse taxpayers, investors and the general public as some decided to change while others chose to keep their current fiscal year. Moreover, as the state requires counties to file certain financial information at different times based on each county's specific financial circumstances, the bill could cause confusion among county boards of commissioners in counties that changed fiscal years as to when such filings were due, and result in their being sent to the Department of Treasury in a chaotic and haphazard way.

Response:
Different fiscal years among counties would not necessarily cause confusion to anyone interested in a specific county's finances. Taxpayers/voters generally are only interested in their own county's fiscal affairs, and investors/credit agencies are used to dealing with entities (both public and private) that follow different fiscal years. As for financial and audit filings to the state, the bill could be amended to clarify when these would be due (see SUGGESTED AMENDMENTS).

Against:
To maintain uniformity from one county to the next, the bill should require all counties to adopt the same fiscal year as the state's.

Response:
As some counties might find that changing their fiscal year would be of little benefit and, in fact, could be costlier than staying as they are, mandating the change could pose an undue financial burden for them. And in those counties where changing fiscal years would actually be more costly, the state would be responsible to pay those costs as required under the Headlee Amendment.

SUGGESTED AMENDMENTS:

The Department of Treasury suggests amending the bill to include a provision clarifying when certain financial and audit reports were due from counties to ensure a smooth and efficient filing process.

POSITIONS:

The Michigan Association of Counties supports the bill. (10-12-93)

The Saginaw County Board of Commissioners strongly supports the bill. (10-13-93)

The Department of Treasury would support the bill if its suggested amendments were adopted (see SUGGESTED AMENDMENTS). (10-13-93)