

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 1008 (as reported with amendment)
Sponsor: Senator Michael J. Bouchard
Committee: Government Operations

Date Completed: 5-5-98

RATIONALE

Some people have raised the issue of whether governmental immunity should apply when a governmental agency enters into a contract with a private entity. Under the governmental immunity Act, a governmental agency (the State, a political subdivision, or a municipal corporation) is immune from tort liability when the agency is engaged in the exercise or discharge of a governmental function (except in cases involving highway negligence, dangerous or defective public buildings, or the negligent operation of a government-owned motor vehicle). In addition, a governmental employee is immune from tort liability when he or she is acting on behalf of a governmental agency, as long as the employee is acting or reasonably believes he or she is acting within the scope of his or her authority and the governmental agency is engaged in the exercise or discharge of a governmental function. The Act defines "governmental function" as an activity that is expressly or impliedly mandated or authorized by constitution, statute, local charter, ordinance, or other law. Governmental immunity does not apply if an injury or loss arose out of the performance of a "proprietary function", i.e., any activity that is conducted primarily for the purpose of producing a pecuniary profit for the governmental agency, except any activity normally supported by taxes or fees.

In 1995, the Michigan Court of Appeals decided a case in which off-duty sheriff's deputies were sued for actions they took pursuant to a contract between Oakland County and a private entity, the Pine Knob Music Theater, Inc. (*Pardon v Finkel*, described below in **BACKGROUND**). In exchange for a fixed fee, the county had furnished the sheriff's deputies to Pine Knob for crowd control purposes. The Court of Appeals held that governmental immunity did not apply, because the governmental agency was not engaged in the exercise or discharge of a governmental function.

Some people believe, however, that governmental immunity should be available in this type of situation.

CONTENT

The bill would amend the governmental immunity Act to provide that the term "governmental function" would include an activity on public or private property, whose expenses were charged to or reimbursed by a private entity.

MCL 691.1401

BACKGROUND

Pardon v Finkel (213 Mich App 643) involved alleged injuries that resulted from an altercation between individuals attending a concert at the Pine Knob Music Theater and off-duty sheriff's deputies hired by Pine Knob and acting as security and crowd control functionaries, pursuant to a contract between Oakland County and Pine Knob. Under the 1987 contract, Pine Knob agreed to pay the county an hourly fee for each deputy, which corresponded to the deputies' overtime pay under their collective bargaining agreement. The contract contained a hold harmless agreement under which the county would be responsible for the acts or omissions of its deputies, although the deputies were declared to be independent contractors and not employees or agents of Pine Knob.

The Oakland County Circuit Court held that the county was engaged in a governmental function and that it did not fall within the proprietary function exception when it provided deputies to Pine Knob. The court held that the county and most of the individual defendants were entitled to summary disposition on the basis of governmental immunity. (One deputy was denied summary disposition

because the court found questions of fact regarding his alleged gross negligence or intentional misconduct.) The circuit court also granted Pine Knob's motion for summary disposition in part on the basis of the contract indemnity provisions, but denied Pine Knob's motion for summary disposition regarding the allegations concerning its own negligence.

The Court of Appeals held that the circuit court erred in granting the defendants' motions for summary disposition because the county and its deputies were not protected by governmental immunity. The Court found that "...the relationship between the county and Pine Knob was akin to that of a private security guard situation, and thus the county was engaged in a nongovernmental function...". The Court pointed out that, in determining whether a governmental agency is engaged in a governmental function, the focus must be on the general activity, not the specific conduct involved at the time of the tort. "In this instance, the general activity focused upon was not law enforcement but crowd control. Such an arrangement is characteristic of a private arrangement between two entities as opposed to a law enforcement governmental function."

The plaintiffs also had alleged that the activity should be categorized as a proprietary function because it was conducted for profit and would not normally be supported by tax dollars. According to the Court, one affidavit indicated that the program of providing sheriff's deputies to Pine Knob was operated at a net loss in 1987, although information in another Oakland County Circuit Court case indicated that the county generated 15% to 20% of its total budget from contracts with private entities. The Court of Appeals, however, found it unnecessary to address the proprietary function issue.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Many private events, such as concerts and golf tournaments, involve large crowds and the need for heightened security, particularly if alcoholic beverages may be consumed on the premises. Although the private entities sponsoring these events are responsible for controlling the crowds and keeping the peace, an enhanced police presence sometimes is desirable. In fact, the mere

sight of uniformed police officers may be all that is needed to deter unruly behavior or criminal activity. Evidently, it is not uncommon for a local unit of government to contract with a private entity for the provision of police officers. According to the Court of Appeals, however, the local unit and its officers may be held liable for injuries and damages that occur while the police are performing under the contract. As a result, local units might be reluctant to enter into these arrangements and their officers might be unwilling to work at private events. Without adequate security, private entities may be forced to restrict their entertainment events. On the other hand, if a local unit continues to provide additional police protection but without payment from a private party, the taxpayers may incur an unfair burden for the costs of the police.

The bill would make it clear that governmental immunity would apply to activities performed under a contract between a governmental agency and a private entity, regardless of whether the activities occurred on public or private property. Although the impetus for this liability protection might involve off-duty police officers, the expanded immunity would apply to other activities that were paid for by private entities.

Legislative Analyst: S. Lowe

FISCAL IMPACT

The bill would have an indeterminate impact on State and local units of government. The savings to governmental units would depend on the extent to which the bill would preclude potential future liability of governmental units.

Fiscal Analyst: B. Bowerman

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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.