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Senate Bill 539 (as enrolled)  
Sponsor: Senator Bill Bullard, Jr.  
Senate Committee: Local, Urban and State Affairs  
House Committee: Local Government and Urban Policy

**PUBLIC ACT 209 of 1999**

Date Completed: 1-14-00

**RATIONALE**

Chapter 16 of the Revised Statutes of 1846 allows a township to provide life, accident, health, hospitalization, and medical and surgical insurance to elected or appointed officers and employees and their dependents. Currently, it is common for both public and private employers to offer employees a benefit package, as authorized under the Internal Revenue Code, known as a "cafeteria plan". The Code defines "cafeteria plan" as a written plan under which employees may choose among two or more benefits consisting of cash and qualified benefits. (The term does not include any plan that provides for deferred compensation, although an employer may provide that separately.) Reportedly, townships have not been permitted to offer employees a cafeteria plan because Chapter 16 did not specify the use of such plans. Also, it was pointed out that townships were not authorized to offer insurance benefits to retired officers or employees. It was suggested that townships be allowed to offer benefits to officers and employees through the use of cafeteria plans, and to offer certain insurance coverages to retirees.

**CONTENT**

The bill amended Chapter 16 of the Revised Statutes of 1846, which provides for the powers and duties of townships, to allow a township to establish a cafeteria plan, authorized under Section 125 of the Internal Revenue Code, for its elected or appointed officers and employees, any classes of elected or appointed officers and employees, and dependents of the officers and employees.

In addition, the bill allows a township to provide dental care and vision care insurance to its elected or appointed officers and employees and their dependents.

Further, the bill allows a township to provide life, accident, dental care, vision care, health, hospitalization, and medical and surgical insurance for its retired officers and employees and their

dependents.

MCL 41.110b

**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**

The Internal Revenue Code authorizes employers to offer employees benefits through the use of cafeteria plans, which have become widely popular with both employers and employees because the plans offer greater flexibility and choice than traditional plans provide. Some townships have expressed an interest in offering employees benefits based upon a cafeteria plan; however, townships apparently have been unable to do so because that option was not authorized specifically in the statute. Further, townships were not authorized to offer insurance coverages to retirees. By ensuring that townships may offer cafeteria plans for benefits, and certain insurance coverages for retirees, the bill will enable townships to accommodate the needs and interests of their employees. This also will allow townships to offer benefits similar to those that cities and villages already could provide.

**Opposing Argument**

The bill may cause townships to offer benefit packages that will prove to be costly drains on limited township funds.

**Response:** The bill is entirely optional. A township is under no obligation to offer more benefits than it can afford to pay. In fact, allowing townships greater flexibility in providing benefits through cafeteria plans may have the effect of reducing benefit costs over time.

Legislative Analyst: G. Towne

### **FISCAL IMPACT**

Townships will be able to establish a cafeteria plan to provide employee benefits, which may minimally reduce benefit costs. Additionally, townships will be able to provide health benefits to retired officers and employees, which may increase benefit costs. This bill will have no State fiscal impact.

Fiscal Analyst: R. Ross

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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.