



**House
Legislative
Analysis
Section**

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**ELIMINATE CAP ON LOCAL
APPROPS TO HEALTH FACILITY**

**House Bill 6062 as introduced
First Analysis (5-22-02)**

**Sponsor: Rep. Charles LaSata
Committee: Local Government and
Urban Policy**

THE APPARENT PROBLEM:

Under the Municipal Health Facilities Corporations Act, counties, cities, and villages may reorganize municipal hospitals into public, nonprofit corporations. Proponents of the act argue that it enables municipal hospitals to compete effectively with private hospitals. The act authorizes a local government to fund the acquisition, construction, maintenance, and expansion of hospitals in various ways, including appropriating up to five percent of its general fund. The act qualifies the five percent cap in two respects. First, a county, city, or village may borrow money for hospital-related purposes, and the cap does not apply to appropriations that are used to pay down bonds, notes, and other guarantees explicitly authorized by the act. Second, a local government may appropriate without restriction funds that are available for hospital-related purposes but were not raised by taxation. The act also exempts certain counties from the cap: a county with a county public hospital organized and operated under either Public Act 177 of 1925 or Public Act 109 of 1945 on February 27, 1988 is authorized to assess taxes of up to one mill per year for hospital-related purposes, without restriction. (Public Acts 177 and 109 authorized certain counties with county public hospitals to levy up to one mill per year for such purposes.)

According to committee testimony, there are ten hospitals throughout the state that are subject to the five percent cap on appropriations from a local government's general fund. Up until now, the hospitals have not found the cap to be onerous, but at least one county, Alpena, may soon be in a situation where it is forced to keep money that voters have approved for hospital-related purposes in its general fund because of the cap. Voters in Alpena County previously authorized a levy of one mill to support Alpena General Hospital, and for almost twenty years, the funds have been used to repay bonds issued for the construction of a new facility. Since the act specifically excludes appropriations that are used to

repay bonds, the one mill appropriation has not been subject to the five percent cap. The hospital would like the county's voters to reauthorize the one mill levy to be used for hospital purposes. Because this money would not be used to pay down debt, the five percent cap would effectively reduce by half the amount levied by the county that could be appropriated for future construction and upkeep of the hospital.

Legislation has been introduced that would allow Alpena County as well as other local governments that organized public, nonprofit hospital corporations under the act to appropriate general fund money for hospital-related purposes without restriction.

THE CONTENT OF THE BILL:

House Bill 6062 would amend the Municipal Health Facilities Corporations Act (Public Act 230 of 1987) to eliminate the five percent statutory cap on the amount of money that a local governmental unit may appropriate to municipal health facility corporations and subsidiary municipal health facility corporations from its general fund.

MCL 331.1305

BACKGROUND INFORMATION:

Legislative intent. The act's legislative finding states that the act was intended to provide municipalities with "appropriate means and methods for the effective and efficient administration of hospitals in order to foster financial viability of local governmental units and the effective and efficient provision of health services, and for the establishment, maintenance, acquisition, expansion, renovation, financing, and refinancing of public health care facilities at reasonable cost."

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Legislative history. Public Act 177 of 1925 allows a county with more than 30,000 residents to levy taxes without voter approval up to one mill to construct, maintain and operate hospitals and sanatoria for the treatment of tuberculosis. Public Act 109 of 1945 permits the boards of commissioners of a county with over 100,000 residents to acquire, establish, maintain, and operate hospitals, county general hospitals, and sanatoria and allowed the county to levy taxes of up to one mill without voter approval for this purpose. Public Act 230 of 1987, originally enacted as the County Health Facilities Act, allowed county commissioners to reorganize a county public hospital organized under the Public Act 109 as a public nonprofit corporation. Public Act 502 of 1988 amended the County Health Facilities Act by renaming it the Municipalities Health Facilities Act and giving cities and villages powers similar to those of counties with respect to the construction, maintenance, and expansion of hospital-related facilities.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would have an indeterminate impact on local units of government. Local units that choose to exceed the current five percent limitation could either increase expenditures to the municipal health facility corporations and subsidiaries or maintain expenditures while reducing the amount of restricted or borrowed revenue allocated for this purpose. Any increase in expenditures for the corporations and subsidiaries increased would have to be either offset by reductions to other items in the local unit's general fund budget or met through increased restricted or borrowed revenues. (5-21-02)

ARGUMENTS:

For:

Local governments with municipal hospitals and other health facilities should be allowed to decide how much of their general fund to put towards hospital-related purposes. The hospitals that would be affected by the legislation are generally smaller hospitals located in the Upper Peninsula and other rural areas of the state, and in some cases, the hospitals are among the counties' largest employers. In such cases it is important not only for the counties' physical health but also for their economic well-being that their hospitals remain financially viable, and a county should be allowed to appropriate as much general fund money to a hospital as its voters approve. Although it would be possible to raise the

cap from five percent to ten percent or fifteen percent, the decision as to what exactly the cap should be would be arbitrary, and more importantly, it would violate the principle of local control.

POSITIONS:

The Michigan Health and Hospital Association supports the bill. (5-21-02)

Analyst: J. Caver

■ 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.