



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4708 (as reported with amendments)
Sponsor: Representative David Robertson
House Committee: Transportation
Senate Committee: Transportation

Date Completed: 7-16-03

RATIONALE

Under the county road law, county road commissioners may enter into five-year installment contracts for the purchase of specific machines, tools, appliances, and materials, but not for the heavy equipment used to build and repair roads. Unlike other local government officials, county road commissioners do not have the authority to enter into installment contracts for the purchase of real estate or heavy equipment. Instead, county road commissioners enter into lease-to-own contracts with vendors to purchase the costly equipment needed to build and repair roads, often at high interest rates. Reportedly, this costs them significantly more than what they would pay under an installment contract. It has been suggested that the law should allow a county road commission to enter into a 15-year installment contract to purchase real estate or other property.

CONTENT

The bill would amend the county road law to allow a county road commission to enter into a contract or agreement for the purchase of real or personal property for public purposes, to be paid for in installments over a period not to exceed 15 years or the useful life of the property, whichever was less. Real or personal property purchased under the county road law could serve as collateral in support of the purchase, contract, or agreement. The outstanding balance of all purchases authorized under the law could not exceed 1-1/4% of the value of the road commission's capital assets and infrastructure as determined by a capitalized asset inventory.

The bill also would delete a provision allowing a board of county road commissioners to enter

into a contract or agreement for the purchase of machines, tools, appliances, and materials to be used for public purposes and to be paid for in installments over a period not to exceed five years or the useful life of the property acquired, whichever is less.

MCL 224.10

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 current law does not give county road commissions the flexibility they need to secure a competitive interest rate. Installment contracts are limited to five years and cannot be used for the property that costs the most. The bill would allow a commission to purchase any personal or real property and pay for it over a 15-year period, which ultimately would result in taxpayer savings.

Legislative Analyst: Julie Koval

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Craig Thiel

H0304\s4708a

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.