

Legislative Analysis



PA 425 CONTRACTS: ELIMINATE COMPARABLE EMPLOYEE BENEFITS UPON TRANSFER

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House Bill 4534

Sponsor: Rep. Nancy Jenkins

Committee: Local, Intergovernmental, and Regional Affairs

Complete to 4-13-11

A SUMMARY OF HOUSE BILL 4534 AS INTRODUCED 4-12-11

Under Public Act 425 of 1984, two or more local units of government may conditionally transfer property for a period of up to 50 years for the purpose of an economic development project. A conditional transfer of property is controlled by a written contract agreed to by the affected local units. A contract can be renewed or can be terminated early. This act is sometimes referred to as Act 425 (although it is also known as the Conditional Transfer of Property by Contract Act.)

House Bill 4534 would amend the act (MCL 124.26) to change the ways local officials would employ, engage, compensate, transfer, or discharge personnel who carry out economic development projects under such a contract. Under the bill, local government civil service and merit systems would not need to be followed. In addition, the bill would eliminate the existing requirement that transferred employees be placed in positions that are comparable with respect to worker's compensation, pension, seniority, wages, sick leave, vacation, health and welfare insurance, or any other benefits.

Currently under the law, a contract may provide for the manner of employing, engaging, compensating, transferring, or discharging personnel required for an economic development project to be carried out under a contract, ***subject to the provisions of applicable civil service and merit systems.***

Further, the law now specifies that ***an employee who is transferred by a local unit due to a contract under this act shall not by reason of the transfer be placed in any worse position with respect to worker's compensation, pension, seniority, wages, sick leave, vacation, health and welfare insurance, or any other benefits that he or she enjoyed before the transfer.***

House Bill 4534 would remove the language from the law that is highlighted above.

BACKGROUND INFORMATION:

Under Act 425, for example, a city and a township could reach an agreement whereby land in a township is conditionally transferred to a city in order to facilitate an economic development project. The township has the land available but not the means to provide necessary infrastructure. A neighboring city has the capability to extend or provide the

infrastructure (but itself does not have available land). The two local units can enter a contract to conditionally transfer the property and share tax revenues from the new development. The act spells out what needs to be in a contract. The act is seen as an alternative to annexation and a form of regional cooperation. For additional information, consult the following on the website of the Michigan Economic Development Corporation regarding Public Act 425:

<http://www.michiganadvantage.org/cm/files/Fact-Sheets/ConditionalLandUseTransferPA425.pdf>

FISCAL IMPACT:

To the extent that workers were transferred and their wages and/or benefits reduced, the costs to local government would decline accordingly. There would be no direct state fiscal impact.

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