



**House
Legislative
Analysis
Section**

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House Bill 5688 with committee amendment
First Analysis (5-30-90)

Sponsor: Rep. Tom Alley
Committee: Public Health

THE APPARENT PROBLEM:

A 1989 amendment to the County Health Facilities Act (Public Act 502, enrolled House Bill 5897) renamed the act the "Municipal Health Facilities Act" and allowed city and village hospitals to reorganize into public nonprofit corporations. One of the act's requirements is that trustees of city or village corporations organized under the act be citizens of that city or village.

However, at least one small city hospital in northern lower Michigan has had problems with this city residency requirement. Tollfree Memorial Hospital, a 92-bed acute care hospital in the city of West Branch in Ogemaw County, had been established under city ordinance and had a seven-member board of trustees, two of whom were county residents living outside West Branch. When the hospital incorporated under the Municipal Health Facilities Act, they lost these two board members, who no longer qualified under the act's requirements. The hospital, like many hospitals in rural areas, serves a wider area than just the city in which it is located, and would like to continue to be able to draw its board members both from within the city limits and from other areas of the county.

At the request of the hospital, legislation has been proposed that would enable the hospital to have board members who were not city residents.

THE CONTENT OF THE BILL:

The bill would delete a requirement in the Municipal Health Facilities Corporations Act (Public Act 230 of 1987) that trustees of a corporation incorporated by a city or village under the act be citizens of that city or village. The bill would, however, specify that the articles of incorporation could require that the trustees be citizens of the city or village.

MCL 331.1258

FISCAL IMPLICATIONS:

Fiscal information is not available.

ARGUMENTS:

For:

City or village hospitals in rural areas often serve areas considerably wider than just their city or village, and it helps cement the relationship between the hospital and its outlying service areas if board members can be drawn from those areas as well as from within the city or village limits. In addition, some cities and villages have such small populations that their hospitals may have difficulty filling the seats on their boards of trustees if the hospital has to draw only on the city or village population. The bill would help city and village hospitals in these situations by allowing them to draw from a wider geographic area to fill the seats on their boards.

Against:

The bill could have an impact on the current debate over city residency requirements in other contexts. Currently, legislation is pending that would prohibit cities from imposing residency requirements on their police and fire fighting forces, a move that is hotly debated. By deleting the requirement that trustees of city or village hospitals be residents of those cities or villages, the bill could set a precedent for disallowing residency requirements for other city or village jobs.

Response: The bill would not set a precedent for doing away with other city residency requirements, for it would specifically state that the articles of incorporation could require that the trustees be citizens of the city or village.

POSITIONS:

Tollfree Memorial Hospital supports the bill. (5-29-90)

The Michigan Hospital Association supports the bill. (5-29-90)

The Michigan Municipal League supports the bill. (5-29-90)

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