

SFA

BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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House Bill 4464 (as reported with amendment)**Sponsor:** Representative John D. Pridnia**House Committee:** Towns and Counties**Senate Committee:** Local Government and Veterans**Date Completed:** 3-22-88**RATIONALE**

Public Act 320 of 1927, which authorizes counties, cities, villages, and townships either individually or through joint agreements to dispose of public sewage and refuse, allows governmental agencies or municipalities to contract with corporations organized or authorized under State law. Some people contend that the Act, by limiting contracts to corporations, excludes individually owned firms or partnerships from competing for these contracts. The Act also requires the service rate that is charged to be determined by the Public Service Commission, even though the Commission over the years has relinquished its authority in this matter to the governmental agencies or municipalities involved. Some people believe that local governments should not be limited when selecting a firm to provide public sewage treatment and disposal, and that the local governmental agency should determine the sewage rates.

private corporation, but not between firms owned by one or two persons. Thus, local governments are limited in the range of firms with which they can contract for waste disposal or treatment. The bill would give local governments the option to contract for public service work with any size firm, which ultimately could save municipalities money by increasing competition for contracts and reducing rates for which contracts are offered. In addition, the bill would make it clear that governmental agencies or municipalities, rather than the Public Service Commission, have the authority to determine public service contract rates. This change in the Act would reflect the current situation in which the Commission gradually has relinquished its authority in the matter.

Legislative Analyst: L. Arasim**Fiscal Analyst:** G. Olson**CONTENT**

The bill would amend Public Act 320 of 1927 to allow governmental agencies or municipalities to contract with an individual or partnership, in addition to a corporation as already provided in the Act, to receive, treat, transfer, and process the sewage, night soil, garbage, and refuse of the governmental agency or municipality. The bill also would delete a reference to the Public Service Commission and allow a governmental agency or municipality, instead of the Commission, to determine a service rate to be charged. The bill would take effect May 1, 1988.

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.

MCL 123.246

SENATE COMMITTEE ACTION

The Senate Committee on Local Government and Veterans adopted an amendment to establish the bill's effective date.

FISCAL IMPACT

House Bill 4464 would have no fiscal impact on State government. Local governments could reduce expenditures because the bill would allow more private entities to bid on local government service contracts.

ARGUMENTS**Supporting Argument**

Under Public Act 320, public service contracts for the removal or treatment of public waste can be made between a governmental agency or municipality and a

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