

# Legislative Analysis

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## SEPARATE LEGAL ENTITIES CREATED THROUGH INTERLOCAL AGREEMENT

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### Senate Bill 437

Sponsor: Sen. Mike Nofs

House Committee: Local Government

Senate Committee: Local Government and Elections

Complete to 2-12-14

### A SUMMARY OF SENATE BILL 437 AS PASSED BY THE SENATE 12-11-13

The bill would amend the Urban Cooperation Act (MCL 124.505 et al.) to allow the parties to an interlocal agreement to create a separate legal entity to exercise designated powers only if the agreement expressly provided for the creation of a separate legal entity.

The Urban Cooperation Act allows a public agency of Michigan to exercise jointly with any other public agency of Michigan, any other state, Canada, or the U.S. government, any power, privilege, or authority that the agencies share in common and that each might exercise separately. The law requires that a joint exercise of power be made by contract, in the form of an interlocal agreement. In addition, the law now specifies that an interlocal agreement may provide for a separate legal or administrative entity to administer or execute the agreement.

Senate Bill 437 retains these provisions, but clarifies that if an interlocal agreement did not expressly provide for a separate legal entity, then a separate legal entity could *not* be created. The term "administrative" in reference to such an entity would be eliminated throughout the section being amended.

An interlocal agreement must include, among other things, the precise organization, composition, and nature of any separate legal or administrative entity created in the agreement with the powers designated to that entity. The bill would refer instead to a separate legal entity expressly created in the agreement.

### FISCAL IMPACT:

As written, the bill would have no impact on state and local revenues or costs.

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