

HOUSE BILL NO. 5244

November 06, 2025, Introduced by Reps. DeBoyer, Carra, Maddock, DeSana, Fox, Schuette, Bollin, Woolford, Meerman, Rigas and Bruck and referred to Committee on Government Operations.

A bill to amend 1967 (Ex Sess) PA 7, entitled "Urban cooperation act of 1967," by amending sections 4, 5, and 7 (MCL 124.504, 124.505, and 124.507), section 4 as amended by 2002 PA 439 and sections 5 and 7 as amended by 2014 PA 36.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 4. (1) ~~A~~**Except as otherwise provided in subsection (2),**
2 **a** public agency of this state may exercise jointly with any other
3 public agency of this state, with a public agency of any other

1 state of the United States, with a public agency of Canada, or with
 2 any public agency of the United States government any power,
 3 privilege, or authority that the agencies share in common and that
 4 each might exercise separately.

5 (2) Subsection (1) does not apply to any of the following
 6 entities:

7 (a) The Michigan strategic fund created under section 5 of the
 8 Michigan strategic fund act, 1984 PA 270, MCL 125.2005.

9 (b) Any other public body or agency of this state that is
 10 created to exercise or perform powers, duties, and functions
 11 related to the economic development of this state.

12 Sec. 5. (1) A joint exercise of power ~~pursuant to~~**under** this
 13 act ~~shall~~**must** be made by contract or contracts in the form of an
 14 interlocal agreement. ~~which~~**Except as otherwise provided in**
 15 **subsection (12), the interlocal agreement** may provide for **any of**
 16 **the following:**

17 (a) The purpose of the interlocal agreement or the power to be
 18 exercised and the method by which the purpose will be accomplished
 19 or the manner in which the power will be exercised.

20 (b) The duration of the interlocal agreement and the method by
 21 which it may be rescinded or terminated by any participating public
 22 agency ~~prior to~~**before** the stated date of termination.

23 (c) The precise organization, composition, and nature of any
 24 separate legal entity expressly created in the interlocal agreement
 25 with the powers designated to that entity.

26 (d) The manner in which the parties to the interlocal
 27 agreement will provide for financial support from the treasuries
 28 that may be made for the purpose set forth in the interlocal
 29 agreement, payments of public funds that may be made to defray the

1 cost of such purpose, advances of public funds that may be made for
2 the purposes set forth in the interlocal agreements and repayment
3 of the public funds, and the personnel, equipment, or property of 1
4 or more of the parties to the agreement that may be used ~~in lieu~~
5 **instead** of other contributions or advances.

6 (e) The manner in which funds may be paid to and disbursed by
7 any separate legal entity created pursuant to the interlocal
8 agreement.

9 (f) A method or formula for equitably providing for and
10 allocating revenues, including, in the case of an authorized
11 undertaking that is publicly owned at the time the interlocal
12 agreement is entered into or becomes publicly owned during the time
13 the interlocal agreement is in effect, revenues derived by or
14 payable to any participating party or any other public agency which
15 revenues directly or indirectly result from that undertaking,
16 whether the revenues are in the form of ad valorem taxes on real or
17 personal property, taxes on income, specific taxes or funds made
18 available by the state in lieu of ad valorem property taxes or
19 local income taxes, any other form of taxation, assessment, levy,
20 or impost, or any money paid under or ~~which revert~~**that reverts**
21 from a tax increment financing plan. The interlocal agreement may
22 also provide a method or formula equitably providing for and
23 allocating revenues derived from a federal or state grant or loan,
24 or from a gift, bequest, grant, or loan from a private source. The
25 interlocal agreement may also provide for a method or formula for
26 equitably allocating and financing the capital and operating costs,
27 including payments to reserve funds authorized by law and payments
28 of principal and interest on obligations. Each method or formula
29 ~~shall~~**must** be established by the participating parties to the

1 interlocal agreement on a ratio of full valuation of real property,
2 on the basis of the amount of services rendered or to be rendered,
3 on the basis of benefits received or conferred or to be received or
4 conferred, or on any other equitable basis, including the levying
5 of taxes or assessments on the entire area serviced by the parties
6 to the interlocal agreement, subject to such limitations as may be
7 contained in the constitution and statutes of this state, to pay
8 those capital and operating costs.

9 (g) The public agency that will function as the employer of
10 personnel and staff needed for the joint exercise of power.

11 (h) The fixing and collecting of charges, rates, rents, fees,
12 loan repayments, loan interest rates, or other charges on loans,
13 where appropriate, and the making and promulgation of necessary
14 rules and regulations and their enforcement by or with the
15 assistance of the participating parties to the interlocal
16 agreement.

17 (i) The manner in which purchases ~~shall~~**must** be made and
18 contracts entered into.

19 (j) The acquisition, ownership, custody, operation,
20 maintenance, lease, or sale of real or personal property.

21 (k) The disposition, division, or distribution of any property
22 acquired through the execution of ~~such~~**the** interlocal agreement.

23 (l) The manner in which, after the completion of the purpose of
24 the interlocal agreement, any surplus money ~~shall~~**must** be returned.

25 (m) The acceptance of gifts, grants, assistance funds, or
26 bequests and the manner in which those gifts, grants, assistance
27 funds, or bequests may be used for the purpose set forth in the
28 interlocal agreement.

29 (n) The making of claims for federal or state aid payable to

1 the individual or several participants on account of the execution
2 of the interlocal agreement.

3 (o) The manner of responding for any liabilities that might be
4 incurred through performance of the interlocal agreement and
5 insuring against any such liability.

6 (p) The adjudication of disputes or disagreements, the effects
7 of failure of participating parties to pay their shares of the
8 costs and expenses, and the rights of the other participants in
9 such cases.

10 (q) The manner in which strict accountability of all funds
11 ~~shall~~**must** be provided for and the manner in which reports,
12 including an annual independent audit, of all receipts and
13 disbursements ~~shall~~**must** be prepared and presented to each
14 participating party to the interlocal agreement.

15 (r) The manner of investing surplus funds or proceeds of
16 grants, gifts, or bequests to the parties to the interlocal
17 agreement under the control of a legal entity created under section
18 7.

19 (s) Any other necessary and proper matters agreed ~~upon~~**on** by
20 the participating public agencies.

21 (2) The public agencies that are parties to a contract entered
22 into ~~pursuant to~~**under** this act have the responsibility, authority,
23 and right to manage and direct on behalf of the public the
24 functions or services performed or exercised to the extent provided
25 in the contract.

26 (3) The contents or language of a contract for a joint
27 exercise of power under this act ~~shall be~~**is** a permissive subject
28 of collective bargaining between a public agency and a bargaining
29 representative of its employees. If a public agency and a

1 bargaining representative of its employees engage in collective
2 bargaining before the contract for a joint exercise of power is
3 approved and that public agency and that bargaining representative
4 reach an agreement on issues that would obligate the public agency
5 that will function as an employer in the joint exercise of power,
6 the contract for that joint exercise of power ~~shall~~**must** include
7 those obligations.

8 (4) Nothing in this act creates an employment relationship
9 between the existing employees of a public agency and the proposed
10 joint exercise of power.

11 (5) A joint exercise of power is effective through its
12 contract at least 180 days before the actual transfer of functions
13 or services. Before the effective date of the joint exercise of
14 power, the public agencies that are parties to the contract shall
15 affirm in writing to the joint exercise of power those employees
16 who will be transferred to the joint exercise of power.

17 (6) If employees who are transferred to the joint exercise of
18 power are represented by a labor organization, those employees are
19 subject to their previous terms and conditions of employment until
20 those terms and conditions of employment are modified in accordance
21 with 1947 PA 336, MCL 423.201 to 423.217, or for 6 months after the
22 transfer to the joint exercise of power, whichever is earlier.
23 Negotiations on a collective bargaining agreement with a joint
24 exercise of power ~~shall~~**must** begin no later than 180 days before
25 the date the employees transfer to the joint exercise of power.

26 (7) Subject to subsection (8), a representative of the
27 employees or group of employees in a public agency who previously
28 represented or was entitled to represent the employees or group of
29 employees in a public agency under 1947 PA 336, MCL 423.201 to

1 423.217, shall continue to represent the employees or group of
2 employees after those employees or group of employees are
3 transferred to the joint exercise of power.

4 (8) This section does not limit the rights of employees, under
5 applicable law, to assert that a bargaining representative
6 protected by subsection (7) is no longer their representative. The
7 employees of the joint exercise of power are eligible as of the day
8 the joint exercise of power becomes effective through its contract
9 to choose their representative under 1947 PA 336, MCL 423.201 to
10 423.217. This subsection does not extend the time limits as
11 provided in subsection (5).

12 (9) If multiple labor organizations assert the right to
13 represent all or part of the workforce of the joint exercise of
14 power or where a substantial portion of the transferred employees
15 were not previously represented, in the absence of a voluntary
16 mutual agreement, at the request of any party or on the initiative
17 of the Michigan employment relations commission, the Michigan
18 employment relations commission shall conduct a representation
19 election.

20 (10) In the absence of a voluntary mutual agreement, the
21 workforce of the joint exercise of power ~~shall~~**must** be merged by
22 using a single seniority list for each of the same or similar
23 classifications. The single seniority list ~~shall~~**must** be composed
24 of all employees from each public agency employed or having recall
25 rights on the date of transfer and ~~shall~~**must** be used for purposes
26 that include, but are not limited to, initial assignments, layoffs,
27 recalls, and job bidding. Disputes concerning the single seniority
28 list or use of the single seniority list ~~shall~~**must** be heard by a
29 single arbitrator appointed by the Michigan employment relations

1 commission.

2 (11) Nothing in this section requires a public agency or a
3 joint exercise of power to assume a collective bargaining agreement
4 between another public agency and its employees.

5 (12) **This state, or a department or agency of this state, may**
6 **not enter into an interlocal agreement that provides for the joint**
7 **exercise of a power, privilege, or authority related to the**
8 **economic development of this state.**

9 Sec. 7. (1) An interlocal agreement may provide for a separate
10 legal entity to administer or execute the agreement which may be a
11 commission, board, or council constituted pursuant to the
12 agreement. If an interlocal agreement does not expressly provide
13 for a separate legal entity, then a separate legal entity ~~shall-is~~
14 ~~not be~~ created. If an interlocal agreement does expressly provide
15 for a separate legal entity, the entity ~~shall be-is~~ a public body,
16 corporate or politic, for the purposes of this act. The governing
17 body of each public agency shall appoint a member of the
18 commission, board, or council constituted pursuant to the
19 agreement. That member may be removed by the appointing governing
20 body at will. The separate legal entity shall not be operated for
21 profit. No part of its earnings shall inure to the benefit of a
22 person other than the public agencies that created it. ~~Upon-On~~
23 termination of the interlocal agreement, title to all property
24 owned by the entity ~~shall vest-vests~~ in the public agencies that
25 incorporated it.

26 (2) A separate legal entity created by an interlocal agreement
27 ~~shall possess-possesses~~ the common power specified in the agreement
28 and may exercise it in the manner or according to the method
29 provided in the agreement. The separate legal entity may also ~~make~~

1 do all of the following:

2 (a) **Make** and enter into contracts. ~~; employ~~

3 (b) **Employ** agencies or employees. ~~; acquire,~~

4 (c) **Acquire**, construct, manage, maintain, or operate
5 buildings, works, or improvements. ~~; acquire,~~

6 (d) **Acquire**, hold, or dispose of property. ~~; incur~~

7 (e) **Incur** debts, liabilities, or obligations that, except as
8 expressly authorized by the parties, do not constitute the debts,
9 liabilities, or obligations of any of the parties to the agreement.

10 ~~; cooperate~~

11 (f) **Cooperate** with a public agency, an agency or
12 instrumentality of that public agency, or another legal entity
13 created by that public agency under this act. ~~; make~~

14 (g) **Make** loans from the proceeds of gifts, grants, assistance
15 funds, or bequests pursuant to the terms of the interlocal
16 agreement creating the entity. ~~; and form~~

17 (h) **Form** other entities necessary to further the purpose of
18 the interlocal agreement. ~~The separate legal entity may sue~~

19 (i) **Sue** and be sued in its own name.

20 (3) ~~No~~ **A** separate legal entity created by an interlocal
21 agreement ~~shall~~ **does not** possess the power or authority to levy any
22 type of tax within the boundaries of any governmental unit
23 participating in the interlocal agreement, or to issue any type of
24 bond in its own name, or to in any way indebted a governmental unit
25 participating in the interlocal agreement.

26 (4) A separate legal entity created by an interlocal agreement
27 may be authorized by the interlocal agreement to borrow money and
28 to issue bonds or notes in its name for local public improvements
29 or for economic development purposes as provided in the interlocal

1 agreement.

2 (5) The entity created by the interlocal agreement shall not
3 borrow money or issue bonds or notes for a sum that, together with
4 the total outstanding bonded indebtedness of the entity, exceeds 2
5 mills of the taxable value of the taxable property within the local
6 governmental units participating in the interlocal agreement as
7 determined under section 27a of the general property tax act, 1893
8 PA 206, MCL 211.27a.

9 (6) Bonds or notes issued under this act are a debt of the
10 entity created by the interlocal agreement and not of the
11 participating local governmental units.

12 (7) Bonds or notes issued under this act are declared to be
13 issued for an essential public and governmental purpose and,
14 together with interest on those bonds or notes and income from
15 those bonds or notes, are exempt from all taxes.

16 (8) Bonds or notes issued under this act are subject to the
17 revised municipal finance act, 2001 PA 34, MCL 141.2101 to
18 141.2821.

19 **(9) A separate legal entity created by an interlocal agreement**
20 **does not possess the power or authority to administer or operate a**
21 **state program that provides grants, loans, or other economic**
22 **assistance.**