

## CHAPTER 331. HOSPITALS

### HOSPITAL AUTHORITY

#### Act 47 of 1945

AN ACT to authorize 2 or more cities, townships, and villages, or any combination of cities, townships, and villages, to incorporate a hospital authority for planning, promoting, acquiring, constructing, improving, enlarging, extending, owning, maintaining, and operating 1 or more community hospitals and related buildings or structures and related facilities; to provide for the sale, lease, or other transfer of a hospital owned by a hospital authority to a nonprofit corporation established under the laws of this state for no or nominal monetary consideration; to define hospitals and community hospitals; to provide for changes in the membership therein; to authorize the cities, townships, and villages to levy taxes for community hospital purposes; to provide for the issuance of bonds; to provide for the pledge of assessments; to provide for borrowing money for operation and maintenance and issuing notes for operation and maintenance; to validate elections heretofore held and notes heretofore issued; to validate bonds heretofore issued; to authorize condemnation proceedings; to grant certain powers of a body corporate; to validate and ratify the organization, existence, and membership of entities acting as hospital authorities under the act and the actions taken by hospital authorities and by the members of the hospital authorities; and to prescribe penalties and provide remedies.

**History:** 1945, Act 47, Imd. Eff. Mar. 15, 1945;—Am. 1949, Act 62, Eff. Sept. 23, 1949;—Am. 1952, Act 170, Imd. Eff. Apr. 24, 1952;—Am. 1960, Act 65, Imd. Eff. Apr. 25, 1960;—Am. 1967, Act 31, Imd. Eff. June 2, 1967;—Am. 1973, Act 161, Imd. Eff. Dec. 14, 1973;—Am. 1978, Act 2, Imd. Eff. Feb. 6, 1978;—Am. 1978, Act 617, Imd. Eff. Jan. 6, 1979;—Am. 1987, Act 117, Imd. Eff. July 14, 1987;—Am. 1998, Act 186, Eff. Mar. 23, 1999.

**Popular name:** Municipal Hospital Authority Act

*The People of the State of Michigan enact:*

#### **331.1 Hospital authority; formation; issuance and purpose of bonds; enlargement of powers; “hospitals” and “community hospitals and related facilities” defined.**

Sec. 1. (1) Two or more cities, villages, or townships, or a combination of cities, villages, or townships, by resolution of their respective legislative bodies, approved by a majority vote of the qualified electors of each of those cities, villages, or townships, may join to form a hospital authority and issue bonds for the purpose of planning, promoting, acquiring, constructing, improving, enlarging, extending, owning, maintaining, and operating, either within or without the city, village, or township limits, 1 or more community hospitals and related buildings or structures and related facilities, subject to the tax limitation provided in this act. The power granted in this section shall be considered an enlargement of a power granted to a city, village, or township by its respective charter or the laws of this state.

(2) As used in this act, "hospitals" and "community hospitals and related facilities" mean buildings or structures and related facilities suitable, intended for, incidental, or ancillary to the care of the sick, wounded, or elderly, or for the care of persons requiring medical treatment and buildings or structures and related facilities shared by 1 or more hospitals, including an outpatient clinic; an ambulatory care facility; a long-term care facility; an assisted living facility; a home for the aged; a senior citizen housing facility; a health and wellness facility; a diagnostic facility; a shared service facility; a laundry; a nurse's, doctor's, or intern's residence; an administration building; a building or structure used for research directly involved with medical care; a maintenance, storage, or utility building and related equipment; a parking lot or garage; furnishings; and the land necessary or convenient for use for the building or structure; an office facility not less than 80% of which is intended for lease or use by direct providers of health care, and which has been determined by the department of public health to meet a demonstrated need and is geographically or functionally related to 1 or more hospital facilities, if the authority determines that the financing of the office facility is necessary to accomplish the purposes and objectives of this act.

**History:** 1945, Act 47, Imd. Eff. Mar. 15, 1945;—CL 1948, 331.1;—Am. 1952, Act 170, Imd. Eff. Apr. 24, 1952;—Am. 1960, Act 65, Imd. Eff. Apr. 25, 1960;—Am. 1973, Act 161, Imd. Eff. Dec. 14, 1973;—Am. 1977, Act 71, Imd. Eff. July 27, 1977;—Am. 1978, Act 617, Imd. Eff. Jan. 6, 1979;—Am. 2006, Act 473, Imd. Eff. Dec. 20, 2006.

**Popular name:** Municipal Hospital Authority Act

#### **331.2 Hospital authority; body corporate; powers; entity unable to document compliance; validation, ratification, and confirmation of actions or proceedings.**

Sec. 2. (1) The hospital authority is a body corporate with power to sue or be sued in any court of this state

and may exercise those powers necessary and incident to the acquisition, construction, improvement, enlargement, extension, ownership, maintenance, and operation of 1 or more community hospitals. The authority may contract with any of the participating cities, villages, and townships, or any other city, village, or township, or with any county family independence agency, for the hospital care of indigent patients and other persons entitled to hospital care at public expense. The authority may contract with any individual, firm, or corporation for the furnishing of hospital care to persons at the private expense of the individual, firm, or corporation. The authority may establish rules providing for a system of civil service for its employees.

(2) An entity that is unable to document compliance with sections 1 and 3 and is acting or purporting to act as a hospital authority under this act is a hospital authority duly organized and existing under this act and fully empowered to exercise any power granted to a hospital authority under this act if the entity satisfies either of the following:

(a) Continuously owned and operated a hospital for not less than 15 years before February 6, 1978 and filed a written notice with the clerk of each city, village, or township included in the hospital authority within 30 days after February 6, 1978 stating that the entity, being unable to document compliance with sections 1 and 3, is recognized as a hospital authority pursuant to this subsection.

(b) Continuously owned and operated a hospital for not less than 40 years before the effective date of this subdivision and filed a written notice with the clerk of each city, village, or township included in the hospital authority within 30 days after the effective date of this subdivision stating that the entity, being unable to document compliance with sections 1 and 3, is recognized as a hospital authority pursuant to this subsection.

(3) An action or proceeding taken before February 6, 1978 by a hospital authority recognized by subsection (2)(a) or before the effective date of subsection (2)(b) by a hospital authority recognized by subsection (2)(b), which a hospital authority is empowered by this act to take, is validated, ratified, and confirmed. A city, village, or township that appointed a representative to the board of a hospital authority recognized by subsection (2)(a) or (b) or that levied a tax for or made payments to a hospital authority recognized by subsection (2)(a) or (b) pursuant to this act is a member of that hospital authority, and is considered to have been a member of that hospital authority since the date a representative was first appointed, the tax was first levied, or the payment was first made. Any action or proceeding of a city, village, or township taken in regard to a hospital authority recognized by subsection (2)(a) or (b), which the city, village, or township was empowered by this act to take in regard to a duly organized and existing hospital authority, is validated, ratified, and confirmed.

**History:** 1945, Act 47, Imd. Eff. Mar. 15, 1945;—CL 1948, 331.2;—Am. 1952, Act 170, Imd. Eff. Apr. 24, 1952;—Am. 1960, Act 65, Imd. Eff. Apr. 25, 1960;—Am. 1973, Act 161, Imd. Eff. Dec. 14, 1973;—Am. 1978, Act 2, Imd. Eff. Feb. 6, 1978;—Am. 2004, Act 120, Imd. Eff. May 27, 2004.

**Popular name:** Municipal Hospital Authority Act

### **331.3 Contents of resolution creating hospital authority; subsequent membership; release from membership; prior actions and proceedings validated.**

Sec. 3. (1) The resolution creating a hospital authority shall designate the cities, villages, and townships to be included in the hospital authority and shall set forth the fact that a sum of money not to exceed the tax limitation provided in this act may be requested and certified by the hospital board annually for the purpose of planning, promoting, acquiring, constructing, improving, enlarging, extending, owning, maintaining, and operating 1 or more community hospitals, and that the sum or a portion of that sum shall first be pledged by the governing body of the hospital authority for the payment of bonds issued under this act. The resolution may provide that the hospital authority shall become operative upon adoption by a specified number, not less than 2, of the cities, villages, and townships. The resolution may fix a time within which the respective units shall act in order to be included in the hospital authority. The resolution may designate a date for the appointed representatives to convene.

(2) A city, township, or village subsequently may become a member of a hospital authority formed under this act, upon resolution adopted by the governing body of the city, village, or township approved by a majority vote of its qualified electors and acceptance thereof by resolution adopted by a 2/3 vote of the entire governing board of the hospital authority.

(3) Except as otherwise provided in section 9, a city, township, or village which becomes a member of the hospital authority, upon request and resolution of its governing body, duly accepted by a 2/3 majority vote of the entire governing board of the hospital authority, may be released from membership in the hospital authority. However, a city, township, or village shall not be released from membership in a hospital authority until all outstanding obligations of the hospital authority incurred after the time of the admission to membership of the city, township, or village and the part of prior obligations as may be agreed to by the hospital board and the governing body of the city, township, or village are paid, or adequate provisions are

made for the payment of the obligations.

(4) Actions and proceedings of a hospital authority relative to the addition of members to the hospital authority before December 14, 1973 are validated, ratified, and confirmed with like force and effect as though the actions and proceedings were fully authorized by statutes existing at the time.

**History:** 1945, Act 47, Imd. Eff. Mar. 15, 1945;—CL 1948, 331.3;—Am. 1949, Act 62, Eff. Sept. 23, 1949;—Am. 1952, Act 170, Imd. Eff. Apr. 24, 1952;—Am. 1971, Act 217, Imd. Eff. Dec. 30, 1971;—Am. 1973, Act 161, Imd. Eff. Dec. 14, 1973;—Am. 1977, Act 71, Imd. Eff. July 27, 1977;—Am. 1987, Act 117, Imd. Eff. July 14, 1987.

**Popular name:** Municipal Hospital Authority Act

### **331.4 Community hospitals; annual tax; reimbursement payments under Glenn Steil state revenue sharing act of 1971; additional annual tax for capital improvements; election.**

Sec. 4. The legislative bodies of the cities, villages, and townships belonging to the hospital authority may annually raise by a tax, to be levied on the taxable property within their respective jurisdictions, a sum of money to be used to assist in planning, promoting, acquiring, constructing, improving, enlarging, extending, owning, maintaining, and operating community hospitals authorized by this act. The annual tax authorized in this section shall not exceed  $\frac{4}{10}$  of 1 mill of the state equalized valuation on each dollar of assessed valuation in each city, village, or township in the authority. The treasurer of any city, village, or township who collects the tax authorized by this section shall also pay to the authority its proportionate share of reimbursement payments under the Glenn Steil state revenue sharing act of 1971, 1971 PA 140, MCL 141.901 to 141.921. In addition, an annual tax at a rate not to exceed 2 mills may be levied for not more than 10 years for capital improvements when authorized at a general or special election and approved by a majority vote of the total qualified electors voting on the question in all member cities, villages, and townships. The hospital authority board may initiate a proceeding for the additional tax by resolution of the hospital authority board which shall set forth the amount of the tax, not to exceed 2 mills, and shall set a date of election which shall be not less than 60 days after the adoption of the resolution. The secretary of the authority shall within 5 days after the adoption of the resolution transmit a certified copy of the resolution to the clerk of each city, village, or township which is a member of the authority. The clerk of each member city, village, or township shall take the steps necessary to provide for an election pursuant to the resolution passed at which election the question of the additional tax shall be submitted. The election shall be conducted in the same manner as elections are required to be conducted in the member cities, villages, or townships under the provisions of the general election law. When a part or all of a village belonging to the authority is located in a township belonging to the authority, the township election shall include that part of the village located in it and the village shall not be required to hold an election except in that portion of the village not located in the township belonging to the authority. The election in each member city, village, and township shall be canvassed in the manner required by the general election law and the results of the election shall be certified to the hospital authority board within 5 days after the date of the election. The hospital authority board shall compile and tabulate the vote as received from the member cities, villages, and townships and certify the election by resolution upon the records of the authority, and a majority of the total valid votes cast in the election voting "yes" on the question submitted shall constitute an approval. A special election called pursuant to this section shall not be included in a statutory or charter limitation as to the number of special elections to be called within a period of time. A previous election held under this act is not invalid if the election was approved by majority of the total valid votes cast in a proper election. The hospital authority calling an election for a date other than a primary, general, or special election held within the cities, villages, or townships forming the hospital authority shall pay the costs of the election. If the election is held at the same time as a primary, general, or special election held within the cities, villages, or townships forming the hospital authority, the hospital authority shall pay its proportionate share of the costs incurred in holding the election.

**History:** 1945, Act 47, Imd. Eff. Mar. 15, 1945;—CL 1948, 331.4;—Am. 1952, Act 170, Imd. Eff. Apr. 24, 1952;—Am. 1966, Act 200, Imd. Eff. July 11, 1966;—Am. 1967, Act 31, Imd. Eff. June 2, 1967;—Am. 1973, Act 161, Imd. Eff. Dec. 14, 1973;—Am. 1976, Act 372, Imd. Eff. Dec. 23, 1976;—Am. 1977, Act 71, Imd. Eff. July 27, 1977;—Am. 2007, Act 181, Imd. Eff. Dec. 21, 2007.

**Popular name:** Municipal Hospital Authority Act

### **331.5 Hospital board; appointment, qualifications, and terms of members; temporary officers; resolutions removing members at large; duties of secretary; limitation on procedure; first meeting; election of officers; executive committee; medical advisory committee; employees; voting; committees generally; employment of former members.**

Sec. 5. (1) The hospital authority shall be directed and governed by a hospital board consisting of 1 member for the first 20,000 population and 1 for each additional 40,000, or fraction thereof, according to the

latest or each succeeding federal decennial census for each city, village, or township participating in the hospital authority. The members shall be appointed by the legislative bodies of each participating city, village, or township, and, subject to subsection (2), 7 members at large selected by the appointed members. On the date appointed in the adopting resolutions, or within 30 days after the creation of the hospital authority, the members appointed by the respective cities, villages, and townships, shall convene, elect a temporary chairperson and secretary, and select the members at large by a majority vote. The appointed members shall be electors of the respective appointing cities, villages, or townships and may be members of the legislative bodies of the city, village, or township. The members at large shall be electors of the territory served by the community hospitals. The members at large shall be appointed for staggered terms so that not more than 2 memberships shall expire each year, and succeeding appointments shall be for a term of 4 years. The appointed members shall serve at the pleasure of their respective appointing legislative bodies.

(2) The members at large of a hospital board of a hospital authority whose member jurisdiction has a population of 300,000 or more shall be removed if the legislative bodies of the cities, villages, and townships participating in the hospital authority whose representation constitutes a majority of the members of the hospital board in accordance with their authorized representation on the board, excluding the members at large, adopt a resolution to remove the members at large. The resolutions required by this subsection shall be adopted within the same 90-day period. The resolutions shall be transmitted to the secretary of the hospital board.

(3) Upon receipt of the resolutions required by subsection (2), the secretary of the hospital board shall do all of the following:

(a) Certify the resolutions.

(b) Within 10 days after receipt of the resolutions, notify the members at large in writing that they have been removed from office.

(c) Notify the full hospital board not later than the next regularly scheduled meeting of the hospital board. If the board is not scheduled to hold a regularly scheduled meeting within 90 days after the secretary's receipt of the resolutions, the secretary shall, within 30 days after receipt of the resolutions, notify the other members of the board in writing of the removal from office.

(4) The procedure described in subsection (2) shall not be used or attempted more than once in a 12-month period.

(5) Immediately upon the removal of the members at large the hospital board shall hold its first meeting and organize by electing from its members a chairperson and vice-chairperson, and a secretary and treasurer who shall be members of the hospital board.

(6) The hospital board shall also appoint an executive committee, consisting of the chairperson and 6 other hospital board members. The executive committee shall carry on the active administrative duties of the hospital authority. The executive committee shall hold office at the pleasure of the hospital board. The hospital board shall also appoint a medical advisory committee which shall advise the hospital board with regard to professional problems of hospital operation and to surgical and medical policies including matters pertaining to the development of medical staff bylaws and rules. The members of the medical advisory committee shall be physicians and surgeons licensed pursuant to article 15 of the public health code, 1978 PA 368, MCL 333.16101 to 333.18838. The board shall also select and employ other officers and employees and contract for services as are considered necessary to effectuate its purposes.

(7) A member of the board shall not vote on an issue in which the member has a substantial interest.

(8) The hospital board, by resolution, may establish committees, other than the executive committee. The committees shall be constituted and appointed as provided by the hospital board. A committee shall not exercise governing powers of the hospital board but shall make reports and recommendations to the hospital board as the hospital board directs.

(9) A former member of a hospital board who was removed pursuant to subsection (2) shall not be employed by the hospital authority within 2 years after the former member was removed.

**History:** 1945, Act 47, Imd. Eff. Mar. 15, 1945;—CL 1948, 331.5;—Am. 1952, Act 170, Imd. Eff. Apr. 24, 1952;—Am. 1960, Act 65, Imd. Eff. Apr. 25, 1960;—Am. 1971, Act 218, Imd. Eff. Dec. 30, 1971;—Am. 1984, Act 17, Imd. Eff. Mar. 1, 1984;—Am. 2002, Act 724, Imd. Eff. Dec. 30, 2002.

**Popular name:** Municipal Hospital Authority Act

### **331.6 Hospital board; meetings; conducting business at public meeting; notice of meeting; waiver of notice; quorum; record of meeting; availability of record and other writings to public; system of accounts; audit; treasurer's bond; bylaws, rules, and policies; violations; determination of no material assets; resolution.**

Sec. 6. (1) After organization, the hospital board, by resolution, shall establish the times for holding regular

meetings of the board. Business which the hospital board may perform shall be conducted at a public meeting held in compliance with the open meetings act, 1976 PA 267, MCL 15.261 to 15.275. The board shall hold other meetings at the call of the chairperson. Public notice of the time, date, and place of meetings shall be given in the manner required by the open meetings act, 1976 PA 267, MCL 15.261 to 15.275, and the chairperson shall give 3 days' personal or written notice of the time and place of the meetings to the members. A member of the board may file a written waiver of notice and consent to a board meeting. The chairperson shall call a meeting upon written request of 3 members of the board. A majority of the members shall constitute a quorum. The board shall cause to be kept a written or printed record of each meeting, which record and any other writing prepared, owned, used, in the possession of, or retained by the board in the performance of an official function shall be made available to the public in compliance with the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.

(2) The board shall provide for a system of accounts to conform to a uniform system required by law and for annual auditing of the accounts of the treasurer by a certified public accountant. The board shall require the treasurer to give a suitable bond by a responsible bonding company, to be paid for by the board. The board shall adopt bylaws, rules, and policies governing the operation and professional work of the hospital and the eligibility and qualifications of its medical staff. Physicians, nurses, attendants, employees, patients, and persons approaching or on the premises of the hospital and furniture, equipment, and other articles used or brought on the premises shall be subject to the bylaws, rules, and policies as the hospital board may adopt or authorize to be adopted. The board may deny or revoke staff membership, or suspend or reduce hospital privileges to a physician who violates a provision of the medical staff bylaws, rules, and policies.

(3) The medical advisory committee, with the approval of the hospital board, shall adopt rules and policies governing the professional work of the hospitals and the eligibility and qualifications of their medical staffs. The rules and policies shall conform, as nearly as practicable, to the applicable standards recommended by the joint commission on accreditation of hospitals.

(4) If an audit completed pursuant to subsection (2) shows that the authority has gross assets, without accounting for any liabilities, of less than \$20,000.00, and if the authority is not then directly or indirectly engaged in the operation of a hospital, the board may adopt a resolution stating that the authority has no material assets. The adoption of the resolution shall be made at a public meeting held in compliance with this section and with the open meetings act, 1976 PA 267, MCL 15.261 to 15.275. A board that has adopted such a resolution shall continue to function in compliance with sections 5 and 7 and this section except for the following:

(a) The board need not meet at the regular times established under this section.

(b) The board need not complete an annual budget pursuant to section 7.

(c) The board may take action by a written consent of the board members signed by a number of board members equal to the number of members necessary to approve such action at a meeting at which all the board members attended, but only for the purpose of electing members at large to the board of the authority and not for the purpose of removing members at large. Such a written action shall be made available to the public in compliance with the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.

(5) A determination of no material assets, as provided for in subsection (4), shall remain in effect until the authority begins directly or indirectly to engage in the operation of a hospital or until the authority's gross assets, without accounting for any liabilities, increase to \$20,000.00. Immediately upon the happening of either event, or at any other time at the discretion of the board, the determination of no material assets shall cease and the board shall resume all of the actions required of it before the determination of no material assets.

(6) Any residual value resulting from an authority's potential right to retake possession of a hospital or other property previously sold or transferred pursuant to section 9 is not included as part of the authority's assets for making a determination of no material assets under subsection (4).

**History:** 1945, Act 47, Imd. Eff. Mar. 15, 1945;—CL 1948, 331.6;—Am. 1952, Act 170, Imd. Eff. Apr. 24, 1952;—Am. 1972, Act 112, Imd. Eff. Apr. 11, 1972;—Am. 1977, Act 180, Imd. Eff. Nov. 17, 1977;—Am. 2002, Act 724, Imd. Eff. Dec. 30, 2002.

**Popular name:** Municipal Hospital Authority Act

### **331.7 Balanced budget; preparation; contents; notice of public hearing; adoption of budget; determining respective shares of cities, townships, and villages; assessed valuations; tax levy; certification of amounts to be raised; tax limitation; payment and liability for amounts certified; reports.**

Sec. 7. (1) Except as otherwise provided in section 6, by April 1 of each year, the hospital board shall cause a balanced budget to be prepared containing an itemized statement of the estimated current expenses

and the expenses for capital outlay, including the amount necessary to pay the principal and interest of any outstanding bonds or other obligations of the authority maturing before the time of the following year's tax collection or which have previously matured and are unpaid, and an estimate of the revenue of the hospital authority from all sources for the ensuing fiscal year. The board shall publish notice of a public hearing on the budget stating the time and place. Notice of hearing shall be furnished the legislative body of each city, village, or township participating in the hospital authority.

(2) After the public hearing, the board shall adopt the budget as shall be considered necessary and shall ascertain what amount is required to be raised by taxation from the several cities, townships, and villages to meet their respective shares of the amount of the budget in excess of the estimated other revenues. The share of each city, village, and township shall be determined on the basis of their respective valuations as finally equalized. The assessed valuation of a township for the purpose shall be exclusive of the property within a village which, as a corporate entity, is a member of the authority, and the assessed valuation of a member village shall be computed pursuant to the township assessment roll so as to afford a uniform assessment basis. A member township containing in whole or in part a member village shall levy taxes under this act only against property located outside the village. The board shall certify to each participating city, township, and village the amount to be raised by them and the respective cities, townships, and villages shall include those amounts in their next ensuing budgets, and shall pay the amount so certified from funds they have available or from the proceeds of a tax which they are authorized to levy, in an amount sufficient therefor, but not exceeding the tax limitation provided in this act exclusive of any amount voted for capital improvements under section 4 or necessary to pay principal and interest on bonds issued under section 8b. A village located in a township that is also a member of the authority, by agreement with the township, may have the township include the village property in a tax assessment under this act, collect the money assessed, and pay it to the village for payment of its share to the authority. Payment of the sums certified shall be due and payable to the hospital authority 120 days after the date on which local taxes become due and payable in cities, villages, and townships participating in the hospital authority except that when a township collects a village portion, the amount due from the village shall not be due to the authority until the township portion is due. Each city, township, and village shall be liable for the amount certified.

(3) The board shall also render to each participating city, township, and village on each July 1 and January 1 a certified report pertaining to the operation of the hospital. Each report shall state the condition of the finances, the amount of money expended, the money received from all sources, the money owing to the board for hospital and medical services, and other information as the board may consider expedient. The board shall also file a copy of the report with the department of treasury together with other information as the department of treasury may require.

(4) Within 30 days after the formation of a new hospital authority, and annually on July 1 thereafter, the hospital board shall file with the secretary of state a report as the secretary of state may require, including the date of formation, the names of the member communities, and other information the secretary of state may require.

**History:** 1945, Act 47, Imd. Eff. Mar. 15, 1945;—CL 1948, 331.7;—Am. 1949, Act 62, Eff. Sept. 23, 1949;—Am. 1952, Act 170, Imd. Eff. Apr. 24, 1952;—Am. 1967, Act 31, Imd. Eff. June 2, 1967;—Am. 1971, Act 216, Imd. Eff. Dec. 30, 1971;—Am. 1977, Act 71, Imd. Eff. July 27, 1977;—Am. 1983, Act 78, Imd. Eff. June 6, 1983;—Am. 2002, Act 724, Imd. Eff. Dec. 30, 2002.

**Popular name:** Municipal Hospital Authority Act

### **331.8 Bonds; issuance; purpose; liability; payment; sale; interest rate; bonds subject to revised municipal finance act.**

Sec. 8. (1) The hospital authority board may issue self-liquidating bonds of the authority in accordance with the provisions of this act, for the purpose of acquiring, purchasing, constructing, improving, enlarging, or repairing community hospitals or refunding any outstanding bonds previously issued or for the joint purposes of refunding any outstanding bonds together with the issuance of additional bonds for any of the other purposes authorized. The bonds shall not impose any liability upon the cities, villages, and townships included in the hospital authority, other than on the amounts that are assessed against the respective municipalities as provided for in this act, which amounts or any portion of those amounts may be pledged by the governing body of the hospital authority for the payment of the bonds for a period not exceeding 40 years. The amount required to be paid by any municipality under this act shall be considered to be a part of the revenues of the hospital authority and shall be first used to meet the current requirements for the bond and interest redemption fund, including the reserve requirements, for outstanding obligations of the hospital authority. The bonds shall be sold for not less than par and shall bear interest at a rate not in excess of the maximum rate permitted by the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(2) Bonds issued for capital improvements under section 8b and bonds issued under this act that are

supported by a pledge of the governing body for payment are subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(3) Except as otherwise provided in subsections (1) and (2), bonds issued under this act are not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

**History:** 1945, Act 47, Imd. Eff. Mar. 15, 1945;—CL 1948, 331.8;—Am. 1952, Act 170, Imd. Eff. Apr. 24, 1952;—Am. 1959, Act 19, Imd. Eff. Apr. 30, 1959;—Am. 1973, Act 161, Imd. Eff. Dec. 14, 1973;—Am. 2002, Act 435, Imd. Eff. June 10, 2002.

**Popular name:** Municipal Hospital Authority Act

### **331.8a Borrowing money and issuing notes; purpose; resolution; maturity; validation of notes previously issued; bonds and notes subject to agency financing reporting act.**

Sec. 8a. (1) The hospital board operating a community hospital under this act may, by a resolution adopted by a majority vote of the entire governing board, borrow money and issue notes, which shall mature not more than 1 year from the date of their issuance, for the purpose of meeting current expenses of operation and maintenance of the hospital. The resolution shall provide for the pledging of income and revenues of the hospital authority for the payment of the notes, and shall also provide for a special sinking fund into which there shall first be paid, as collected, a sufficient sum from the revenues of the hospital authority pledges to retire both the principal and interest of the notes at maturity. The resolution may also provide for the pledging of other assets of the hospital authority as additional security for the payment of the notes. Notes issued under this section and amounts assessed under section 8m are not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821. Any notes issued by a hospital authority before the effective date of this act or an amendment to this act are hereby validated, ratified, and confirmed as though the notes and the proceedings relating to their issuance had been fully authorized by statutes existing at the time of their issuance.

(2) Except for the bonds described in section 8(2), the issuance of bonds and notes under this act is subject to the agency financing reporting act.

**History:** Add. 1949, Act 62, Eff. Sept. 23, 1949;—Am. 1980, Act 104, Imd. Eff. Apr. 30, 1980;—Am. 2002, Act 435, Imd. Eff. June 10, 2002.

**Popular name:** Municipal Hospital Authority Act

### **331.8b Hospital board; bonds for capital improvements in anticipation of collection of additional tax levy; levy for payment of bonds and interest.**

Sec. 8b. If the authority desires to issue bonds for capital improvements in anticipation of the collection of any additional tax levy not exceeding 2 mills, voted by the electors as provided in section 4, the hospital board may provide for their issuance in accordance with section 8 of this act but the last maturity date thereof shall not extend beyond 1 year after the expiration of the voted increase and no annual installment of principal and interest on the bonds shall exceed an amount equal to the voted increase computed on the basis of the last equalized tax assessment roll prior to the issuance of the bonds. Each year there shall be levied by the member units and paid to the authority an amount sufficient to pay the annual interest and principal on the bonds and no limitation in this or any other statute or in any charter shall prevent the levy and collection of the full amount of taxes required for the payment of the bonds and the interest thereon as they shall become due.

**History:** Add. 1967, Act 31, Imd. Eff. June 2, 1967.

**Popular name:** Municipal Hospital Authority Act

### **331.8c Bonds; authorization; ordinance; referendum petition and election; notice; resolution.**

Sec. 8c. Unless a referendum petition is filed as provided in this act, a hospital authority board by ordinance adopted by the affirmative vote of a majority of its members may authorize and issue bonds and provide for such matters necessary or desirable with respect thereto and to insure the security of any bonds issued hereunder without submitting the question thereof to the electors of the authority. Bonds shall be authorized by the hospital authority board by resolution. If, within 60 days from the publication of a notice of intent to issue the bonds, a petition, signed by not less than 10% or 15,000 of the registered electors, whichever is less, residing within the member cities, villages and townships of the authority, shall have been filed with the secretary of the authority requesting a referendum election upon the question of the issuance of the bonds, then the same shall not be issued unless the issuance thereof shall have been approved by a majority of the electors of the authority member cities, villages and townships qualified to vote and voting thereon at a general or special election. The notice shall be directed to the electors and tax payers of the authority and of the member cities, villages and townships and other interested parties, and shall be published in a newspaper which has general circulation in the territory included in the authority, and which is determined by the hospital authority board to be the newspaper reaching the largest number of persons to

whom the notice is directed and shall state the maximum amount of bonds to be issued, the purpose thereof, source of payment and right of referendum thereon, and such other information as the hospital authority board shall determine to be necessary to adequately inform the electors and tax payers of the nature of the issue. If a referendum petition is filed with the secretary of the authority, the hospital authority board shall adopt a resolution establishing the date of the referendum election which shall be not less than 60 days after the adoption of such resolution. The secretary of the authority shall, within 5 days after the adoption of such resolution, transmit a certified copy thereof to the clerk of each city, village or township which is a member of the authority. The clerk of each member city, village or township shall forthwith take all steps necessary to provide for an election in accordance with the resolution so passed at which election the question of issuing the bonds shall be submitted. The election shall be conducted in the same manner as elections are required to be conducted in the member cities, villages or townships under the provisions of the general election law. Where any part or all of a village belonging to the authority is located in a township belonging to the authority, the township election shall include that part of the village located in it and the village shall not be required to hold such an election except in that portion of the village not located in the township belonging to the authority. The election in each member city, village and township shall be canvassed in the manner required by the general election law and the results thereof shall be certified to the hospital authority board within 5 days after the date of the election. The hospital authority board shall compile and tabulate the vote as received from the member cities, villages and townships and certify the election by resolution upon the records of the authority, and a majority of the total valid votes cast in the referendum election voting "yes" on the question submitted shall constitute an approval. Any special election called in accordance with this section shall not be included in any statutory or charter limitation as to the number of special elections to be called within any period of time. Signatures on any referendum petition shall be verified by some person or persons, under oath, as to actual signatures of the persons whose names are affixed thereto. Each referendum petition shall state the city, village or township in which it is circulated and be signed by registered electors from such member city, village or township, and any signatures on the petition from a different city, village or township shall be invalid. The secretary of the authority shall deliver the petitions to the clerks of the member cities, villages and townships who shall verify the same against their registration records and the secretary of the authority shall reject signatures of those persons signing the petition who are not registered electors of the member city, village or township of the authority. The number of registered electors in the member cities, villages and townships of the authority shall be determined by the cities', villages' and townships' registration books. A resolution adopted pursuant to this act shall become effective upon its adoption unless otherwise specified therein. The resolution shall be recorded in the minutes of the meeting of the hospital authority board as soon as practicable after its passage, which recording shall be authenticated by the signatures of the chairman and secretary of the hospital authority board. The resolution shall be published once in a newspaper of general circulation within the boundaries of the hospital authority. This section constitutes the sole requirements with respect to the adoption and publication of the resolution.

**History:** Add. 1973, Act 161, Imd. Eff. Dec. 14, 1973.

**Popular name:** Municipal Hospital Authority Act

### **331.8d Bonds; contents of authorizing resolution; serial; installments; form; execution; payment of principal and interest; registration.**

Sec. 8d. (1) The resolution authorizing the issuance of bonds shall state a brief description of the contemplated project, the estimated cost thereof, the estimated period of usefulness thereof, and the amount and maximum rate of interest and time of payment of the bonds. The bonds shall be serial bonds payable either semiannually or annually with the first installment not more than 5 years from the date thereof and the last installment not longer than the estimated period of usefulness of the project for which the bonds are issued. The bonds shall bear interest payable semiannually, except that the first coupon may be for any number of months not exceeding 10. Except as otherwise provided in this act an annual installment payable after 4 years from the date thereof may not be less than 1/5 the amount of a subsequent installment of the same series of bonds. The bonds and coupons shall be substantially in the form provided in the authorizing resolution and shall be executed in the manner prescribed in the resolution, which, as to coupons, may be by facsimile signature. The bonds and coupons shall be made payable in lawful money of the United States of America and shall be exempt from any and all taxation whatsoever by this state or by any taxing authority within the state.

(2) The principal of and interest upon the bonds shall be payable from the net revenues derived from the operation of the hospitals of the authority as shall be pledged thereto in the authorizing resolution, which revenue shall include net revenues derived by reason of hospitals subsequently acquired or improvements, enlargements, extensions, or repairs thereto, to be thereafter acquired. The principal and interest may be



payable from amounts which are assessed against a member city, township, or village as provided in this act. The bonds may be made registrable as to principal or as to principal and interest under such terms and conditions as may be determined by the hospital authority board in the resolution authorizing the bonds.

**History:** Add. 1973, Act 161, Imd. Eff. Dec. 14, 1973.

**Popular name:** Municipal Hospital Authority Act

### **331.8e Bonds; creation of lien in authorizing resolution; nature and effect of lien; default; receiver.**

Sec. 8e. (1) There shall be created in the authorizing resolution a lien, by this act made a statutory lien upon all net revenues, including as a part thereof, the assessments against a member city, township, or village as provided in this act pledged to the payment of the principal of and interest on the bonds, to and in favor of the holders of the bonds and the interest coupons pertaining thereto. This lien shall be a first lien upon the revenues and amounts pledged, except where a prior lien exists, then the new lien shall be subject thereto.

(2) The revenues and amounts so pledged shall be and remain subject to the statutory lien until the payment in full of the principal of and interest upon the bonds. The holder or holders of bonds representing in the aggregate not less than 20% of the entire issue then outstanding may by suit, action, or other proceeding protect and enforce the statutory lien and enforce and compel the performance of all duties of the officials of the hospital authority, including the fixing of sufficient rates, the collection of revenues, the proper segregation of revenues, the proper application thereof, and the imposition and collection of assessments against a member city, township, or village assessed in accordance with this act. However, the statutory lien shall not be construed to give the holders or owners of a bond or coupon authority to compel the sale of any of the hospitals the revenues of which are pledged.

(3) If a payment of principal or interest on the bonds is in default, a court having jurisdiction in any proper action may appoint a receiver to administer and operate on behalf of the hospital authority, under direction of the court, any hospital the revenues of which are pledged to the payment of principal and interest. With the approval of the court the receiver may fix and charge rates and collect revenues sufficient to provide for the payment of bonds or other obligations outstanding against the revenues of the hospital, and for the payment of operating and maintenance expenses, and to apply the income and revenues of the hospital in conformity with this act, the resolution providing for the issuance of the bonds, and in accordance with orders of the court.

**History:** Add. 1973, Act 161, Imd. Eff. Dec. 14, 1973.

**Popular name:** Municipal Hospital Authority Act

### **331.8f Bonds; public sale; notice; publication; private sale.**

Sec. 8f. Except as provided herein, bonds may not be sold except at public sale, after notice by publication at least 14 days before the sale in a publication printed in the English language and circulated in this state which carries as part of its regular service notices of sale of municipal bonds and which was approved by the department of treasury as a publication complying with the foregoing qualifications. If the hospital authority received a bid or bids at the time fixed for public sale which was rejected by the hospital authority board, then the bonds may be sold at private sale within 60 days thereafter at a price not less than the highest bid received at the public offering. If the hospital authority offered the bonds at a public offering and did not receive a bid, then the bonds may be sold at private sale within 60 days after that last public offering. During a period in which bonds may be sold at private sale the hospital authority board may enter into an agreement for delivery of the bonds in payment for the cost of the particular project for which the bonds are to be issued. Notwithstanding any of the foregoing provisions, bonds may be sold without a second public offering to the federal government or any agency thereof at private sale within 60 days after the first public offering at a price not less than the highest bid, if any, received at the first public offering.

**History:** Add. 1973, Act 161, Imd. Eff. Dec. 14, 1973;—Am. 1983, Act 78, Imd. Eff. June 6, 1983.

**Popular name:** Municipal Hospital Authority Act

### **331.8g Bonds as negotiable instruments.**

Sec. 8g. Such bonds shall have all the qualities of a negotiable instrument by the law merchant and the uniform commercial code.

**History:** Add. 1973, Act 161, Imd. Eff. Dec. 14, 1973.

**Popular name:** Municipal Hospital Authority Act

### **331.8h Bonds; deposit or investment of sale proceeds; use of moneys received from sale; cancellation of bonds acquired by purchase; payment of capitalized interest.**

Sec. 8h. (1) The hospital authority shall require the proceeds of the sale of bonds issued under this act to be

deposited in an account separate from other moneys of the hospital authority in 1 or more banks or savings and loan associations each having unimpaired capital and surplus amounting to at least \$2,000,000.00 or which is insured by the federal deposit insurance corporation or the federal savings and loan insurance corporation. However, the proceeds may be invested in whole or in part in the manner provided in this act if the investment is authorized in the resolution authorizing the bonds or approved by the department of treasury.

(2) All moneys received from the sale of bonds shall be used solely for the purpose for which the bonds were authorized including any engineering, legal, and other expenses incidental thereto, and including the payment of interest on the bonds during a period not to exceed the first 3 years following the date of the bonds and the amount required for operation and maintenance prior to the receipt of the first revenues. An unexpended balance of the proceeds from the sale of the bonds remaining after completion of the project for which issued, may, to the extent of 15% of the amount of the issue, be used for the improvement or enlargement of hospitals of the hospital authority or may be used to defray the cost of additional hospitals of the hospital authority, if approved by the department of treasury. A remaining balance shall be paid immediately into the bond and interest redemption fund and used only for the redemption or purchase, at no more than the fair market value, of outstanding bonds the issue from which the proceeds were derived. Any bonds so acquired by purchase shall be canceled and shall not be reissued. A resolution authorizing bonds shall state the period for which interest is to be capitalized, and upon receipt of the proceeds of the bonds there shall be set aside therefrom in the bond and interest redemption fund the amount of interest which will accrue during such period at the interest rate or rates specified in the bonds. Moneys so set aside, except for the temporary investment thereof, shall be used solely for the payment of such capitalized interest.

**History:** Add. 1973, Act 161, Imd. Eff. Dec. 14, 1973;—Am. 1983, Act 78, Imd. Eff. June 6, 1983.

**Popular name:** Municipal Hospital Authority Act

### **331.8i Free service by hospital prohibited; rates for services.**

Sec. 8i. Free service may not be furnished by a hospital, the revenues of which are pledged for the payment of bonds, to a person, firm, or corporation, public or private, or to a public agency or instrumentality. The reasonable cost and value of a service rendered to a public agency, including a member city, township, or village, shall be paid for as the service accrues from its current funds and the charges when so paid shall be accounted for in the same manner as other revenues of the hospitals. Rates for services furnished by a hospital, the revenues of which are pledged for the payment of bonds, shall be fixed precedent to the issuance of the bonds. The rates shall be sufficient to provide for the payment of the expenses of administration, operation, and maintenance of the hospital as may be necessary to preserve the same in good repair and working order. The rates shall be sufficient to provide for the payment of principal of and interest on the bonds payable from the revenues of the hospital, as, and when, the same become due and payable, taking into account, however, amounts assessed or to be assessed against a member city, township, or village as provided in this act, and for the creation of any reserve for the payment of principal and interest as required in the resolution. The rates shall be sufficient to provide for such other expenditures and funds for the hospital as the resolution may require. The rates shall be fixed and revised from time to time by the hospital authority board so as to produce these amounts, and the hospital authority board shall covenant and agree in the resolution authorizing the issuance of the bonds, and on the face of each bond, to maintain at all times such rates for services furnished by such hospitals as shall be sufficient to provide for the foregoing. Rates charged for the services furnished by a hospital, the revenues of which are pledged for the payment of bonds under this act, shall not be subject to approval by any state, bureau, board, commission, or other like instrumentality or agency thereof.

**History:** Add. 1973, Act 161, Imd. Eff. Dec. 14, 1973.

**Popular name:** Municipal Hospital Authority Act

### **331.8j Additional bonds.**

Sec. 8j. (1) A hospital authority issuing bonds pursuant to this act may provide in the authorizing resolution for issuance of additional bonds of equal standing: (a) For completion of the project for which the bonds were issued if the bonds first authorized are insufficient therefor; (b) for the subsequent enlargement, extension, improvement, or repair of existing hospitals; or (c) for acquiring, equipping, or furnishing of a new hospital or hospitals. The additional bonds may be issued and sold from time to time as the proceeds therefrom may be necessary. The bonds when so sold shall have equal standing with those issued in the first instance. The additional bonds may be issued in separate series from the original bonds with different dates of issuance and with such changes in the form thereof as are consistent with that equality of standing.

(2) This act providing for annual installments and the amount thereof and the due date of the first

installment shall not be controlling as to each such additional series, except that after 4 years from the date of the additional bonds, the total amount of bonds in the additional series and in the previously issued series of equal standing maturing in any 1 operating year shall not be less than 1/5 of the total amount of all the bonds maturing in any subsequent years. The additional bonds of equal standing may not be issued unless authorized as provided in this act.

(3) A provision in a resolution or ordinance heretofore adopted by any hospital authority board providing for the issuance of additional bonds is hereby ratified and confirmed, and any hospital authority board may issue additional bonds in accordance with that resolution or ordinance, which bonds shall be of equal standing with any bonds outstanding heretofore issued by that hospital authority.

**History:** Add. 1973, Act 161, Imd. Eff. Dec. 14, 1973.

**Popular name:** Municipal Hospital Authority Act

### **331.8k Bonds; authorizing reduction to fix beginning and ending dates of operating year.**

Sec. 8k. The resolution authorizing the issuance of bonds shall fix the dates of the beginning and ending of the operating year for the projects financed, subject to the right of the department of treasury to require that it corresponds with the fiscal year of the hospital authority.

**History:** Add. 1973, Act 161, Imd. Eff. Dec. 14, 1973;—Am. 1983, Act 78, Imd. Eff. June 6, 1983.

**Popular name:** Municipal Hospital Authority Act

### **331.8m Funds to which hospital revenues pledged in authorizing resolution.**

Sec. 8m. In the authorizing resolution the hospital authority board shall pledge the revenues of the hospital or hospitals for the purpose of the following funds and shall provide that the revenues as collected, except amounts assessed by a hospital authority against a member city, township, or village, where the amounts are pledged for the payment of bonds, shall be set aside in a receiving fund and transferred or credited periodically as provided in the resolution into separate and special funds as follows:

(a) Out of the revenues in the receiving fund a sum sufficient shall be set aside to provide for the payment for the next succeeding period of all current expenses of administration, operation, and maintenance as may be necessary to preserve the hospitals, the revenues of which are pledged for the payment of bonds in good repair and working order. This fund shall be designated "operation and maintenance fund".

(b) Out of the revenues remaining in the receiving fund a sum sufficient shall next be set aside to provide for the payment of the principal and interest on the bonds payable therefrom, as, and when the same become due and payable and the amounts assessed against a member city, township, or village, and where said amounts are pledged in accordance with this act for the payment of bonds and interest thereon, and to the extent that the amounts so assessed are set aside, the sum required to be set aside from the receiving fund may be reduced, if so provided in the resolution authorizing the bonds. This fund shall be designated "bond and interest redemption fund".

If the revenues of an operating year over and above those necessary for the operation and maintenance fund are insufficient to pay the principal of and interest on the bonds maturing in the operating year, then an additional amount to pay the principal and interest shall be set aside out of the revenues of the next succeeding operating year, after the setting aside for the operation and maintenance fund. In respect to the allocation and use of moneys in the bond and interest redemption fund, due recognition shall be given as to priority rights, if any, between different issues or series of outstanding bonds. The hospital authority may provide by resolution that a reasonable excess amount shall be set aside in the bond and interest redemption fund to produce and provide a reserve to meet any possible future deficiencies therein.

(c) Out of the remaining revenues in the receiving fund there shall next be set aside, in the manner and priority provided in the resolution, the sum or sums necessary for such additional funds as the resolution may establish.

(d) Moneys remaining in the receiving fund at the end of an operating year shall be deemed to be surplus and may be transferred to other funds of the hospital authority or may be used as the hospital authority board determines to be for the best interest of the hospital authority, unless some other disposition is made therefor in the resolution authorizing the issuance of the bonds. If moneys in the receiving fund are insufficient to provide for the current requirements of the operation and maintenance fund or the bond and interest redemption fund, any moneys or securities in other funds established by the resolution authorizing the bonds shall be transferred first to the operation and maintenance fund and second to the bond and interest redemption fund to the extent of any deficits therein.

**History:** Add. 1973, Act 161, Imd. Eff. Dec. 14, 1973.

**Popular name:** Municipal Hospital Authority Act

### **331.8n Disposition of moneys in funds established by authorizing resolution and of moneys in bond and interest redemption fund.**

Sec. 8n. Moneys in the several funds established by the resolution authorizing the bonds shall be deposited with 1 or more banks designated by the hospital authority board. Moneys in the bond and interest redemption fund, including reserve moneys, shall be kept on deposit with the bank or trust company or with 1 of the banks or trust companies at which the principal and interest on the bonds are currently payable. The hospital authority board in the authorizing resolution may provide that moneys in the several funds established thereby, except moneys in the bond and interest redemption fund and moneys derived from the sale of the bonds may be kept in 1 bank account, in which event the moneys in the bank account shall be allocated on the books and records of the hospital authority to the funds in the manner provided in the authorizing resolution; or the hospital authority board may provide that the moneys in the several funds may be kept in separate depository accounts. Moneys in the bond and interest redemption fund shall be kept in a separate depository account. Moneys in the several funds established by the resolution authorizing the bonds may be invested in United States government obligations subject to such limitations and conditions as may be provided in the authorizing resolution. Investment of moneys in the bond and interest redemption fund being accumulated for payment of next maturing principal or interest on the bonds shall be limited to United States government obligations bearing maturity dates prior to the date of the next maturing principal or interest. In the event of any such investment, the security representing the same shall be kept on deposit with the bank or trust company having the deposit of the fund or funds from which the purchase was made.

**History:** Add. 1973, Act 161, Imd. Eff. Dec. 14, 1973.

**Popular name:** Municipal Hospital Authority Act

### **331.8p Redemption of bonds.**

Sec. 8p. The hospital authority board may make provision in the authorizing resolution for the redemption prior to maturity of bonds authorized under the provisions of this act or any part thereof. Except in the case of refunding, bonds of an issue less than all the outstanding bonds of the issue may not be called for redemption, unless the hospital authority has on hand in the bond and interest redemption fund sufficient moneys therefor not otherwise appropriated or pledged in excess of the amount of interest and principal maturing within the next 18 months from the redemption date. The premium to be paid upon the redemption of any bond shall not exceed 5% of the principal amount thereof.

**History:** Add. 1973, Act 161, Imd. Eff. Dec. 14, 1973.

**Popular name:** Municipal Hospital Authority Act

### **331.8q Repealed. 2002, Act 435, Imd. Eff. June 10, 2002.**

**Compiler's note:** The repealed section pertained to issuance of bonds by hospital authority.

**Popular name:** Municipal Hospital Authority Act

### **331.8r Books of record and accounts; availability of certain writings to public; statement; misdemeanor; proceedings to compel compliance; annual audit report.**

Sec. 8r. A hospital authority issuing bonds under this act shall install, maintain, and keep proper books of record and accounts separate entirely from other records and accounts of the hospital authority, in which full and correct entries shall be made of the dealings or transactions of or in relation to the properties, business, and affairs of the hospitals, and the revenues for which are pledged for the payment of bonds issued under this act. A writing prepared, owned, used, in the possession of, or retained by a hospital authority in the performance of an official function shall be made available to the public in compliance with the freedom of information act, Act No. 442 of the Public Acts of 1976. The hospital authority board, not later than 6 months after the close of an operating year, shall prepare on forms furnished by the department of treasury a statement in reasonable detail, sworn to by its chief accounting officer, showing the cash income and disbursements of the hospitals during the operating year and the assets and liabilities of the hospitals at the close of the year. A certified copy of the statement shall be filed with the department of treasury not later than 6 months after the close of the operating year. The hospital authority board or an officer, member, or employee of the hospital authority board, charged with the duty of compiling and furnishing the statement required in this section, who refuses or neglects to furnish the statement to the department of treasury within the time required, is guilty of a misdemeanor. The department of treasury may compel compliance with this section by appropriate proceedings brought in a court of competent jurisdiction. If the books of record and account pertaining to the hospitals are audited annually by a certified public accountant the audit report prepared by the certified public accountant shall be used in place of the statement to be prepared on forms furnished by the department of

treasury, and the provisions of this section pertaining to the statement shall apply to the annual audit report.

**History:** Add. 1973, Act 161, Imd. Eff. Dec. 14, 1973;—Am. 1977, Act 180, Imd. Eff. Nov. 17, 1977;—Am. 1983, Act 78, Imd. Eff. June 6, 1983.

**Popular name:** Municipal Hospital Authority Act

### **331.8s Authority and rights of hospital authority; prior actions and proceedings validated.**

Sec. 8s. A hospital authority, heretofore organized and operating pursuant to this act, shall have all the authority and rights granted under this act or any amendments thereto, relative to the construction of community hospitals, operation of same, issuance of bonds therefor, and pledging of income and revenues therefor, including the amounts assessed to the various member communities. An action of the hospital authority board of any hospital authority in the adoption of a resolution for the issuance of bonds and any proceedings taken under the resolution and law in relation thereto prior to the effective date of this amendatory act is hereby validated, ratified, and confirmed, and the hospital authority board of any such hospital authority may issue, sell, and deliver the bonds authorized by such actions and proceedings in the manner prescribed by law.

**History:** Add. 1973, Act 161, Imd. Eff. Dec. 14, 1973.

**Popular name:** Municipal Hospital Authority Act

### **331.8t Certificate of need.**

Sec. 8t. A hospital authority heretofore organized and operating pursuant to this act shall, prior to expending any authority funds for the expansion of facilities or bonding for the construction of new facilities and/or the purchase of additional existing facilities shall obtain a certificate of need from the state of Michigan department of health as per Act No. 256 of the Public Acts of 1972, being section 331.454.

**History:** Add. 1973, Act 161, Imd. Eff. Dec. 14, 1973.

**Popular name:** Municipal Hospital Authority Act

### **331.9 Powers of hospital board as to property; sale, exchange, lease, or other transfer of hospital to nonprofit corporation; sale, lease, or other transfer of real property to county; dissolution of hospital authority.**

Sec. 9. (1) For purposes of a hospital authority established under this act, the hospital board may purchase, lease, accept by gift or devise, or condemn private property. The hospital board may sell, exchange or otherwise transfer, lease, hold, manage, and control a property, asset, or hospital owned by the hospital board. Subject to subsections (2), (14), and (19), the sale, exchange, transfer, or lease of a property, asset, or hospital must be for its market value and the money received from that sale, exchange, transfer, or lease must be retained by the hospital authority. If acquired by condemnation, 1911 PA 149, MCL 213.21 to 213.25, and the uniform condemnation procedures act, 1980 PA 87, MCL 213.51 to 213.75, apply.

(2) Except as otherwise provided in subsection (19), a hospital authority whose jurisdiction has a member population of fewer than 300,000 may, by resolution, provide for the sale, lease, or other transfer of a hospital owned by the hospital board, under this subsection and subsections (3) to (12). The resolution must include a copy of the document proposed to effect the sale, lease, or other transfer. If a hospital authority passes a resolution described in this subsection, the hospital authority also shall provide by resolution for a public vote of the electors at large of all cities, villages, and townships in the hospital authority on the question of the sale, lease, or other transfer of the hospital. The election must be conducted in the same manner as provided in section 4 for the approval of an additional tax for capital improvements. If the sale, lease, or other transfer of the hospital is approved by a majority of the voters, the hospital board may sell, lease, or otherwise transfer a hospital owned by the hospital board on terms and conditions considered reasonable by the hospital board, including a sale, lease, or other transfer for no or nominal monetary consideration, subject to subsections (6) to (8) and all of the following conditions:

(a) The sale, lease, or other transfer from the hospital authority must be to a nonprofit corporation established under the nonprofit corporation act, 1982 PA 162, MCL 450.2101 to 450.3192, and organized specifically for the ownership and operation of the hospital. The nonprofit corporation shall meet both of the following requirements:

(i) At the time of the sale, lease, or other transfer or within 6 months after the date of the sale, lease, or other transfer, be an entity exempt from federal income tax under section 501(c) of the internal revenue code of 1986, 26 USC 501, or a comparable successor provision.

(ii) At the time of the sale, lease, or other transfer from the hospital authority, the majority of the members of the board of directors of the nonprofit corporation are also members of the board of the hospital authority.

(b) At the time of the sale, lease, or other transfer from the hospital authority, the articles of incorporation

of the nonprofit corporation and the contractual arrangements between the hospital authority and the nonprofit corporation must require that the nonprofit corporation operate the hospital as a nonprofit community hospital open to the general public that serves the general population residing in the service area of the hospital authority.

(c) At the time of the sale, lease, or other transfer from the hospital authority, the articles of incorporation of the nonprofit corporation and the contractual arrangements between the hospital authority and the nonprofit corporation must require that the nonprofit corporation shall not sell, lease, or otherwise transfer the hospital without the express consent of the hospital authority. If the sale, lease, or other transfer of the hospital by the nonprofit corporation is approved by the hospital authority, the nonprofit corporation may sell, lease, or otherwise transfer the hospital on terms and conditions considered reasonable by the nonprofit corporation, including a sale, lease, or other transfer for no or nominal monetary consideration.

(d) If the hospital authority has ever levied an additional tax for capital improvements under section 4, the hospital authority shall pay back to each member unit of the hospital authority, on terms and conditions as agreed upon by the hospital board and each member unit, an amount equal to all taxes for capital improvement collected within the 60 months immediately preceding the sale, lease, or other transfer with respect to property located in the member unit, and any remaining uncollected portion of the tax levy must not then be collected.

(3) As used in subsection (2), "hospital" includes all property, real and personal, tangible and intangible, including without limitation cash and accounts receivable, used in the operation and management of the hospital.

(4) If self-liquidating bonds have been issued by the hospital authority under this act, and if the bonds are outstanding, a lease of a hospital under subsection (2), with or without a transfer to the nonprofit corporation at the expiration of the lease term and with or without monetary consideration, is not a violation of this act or of any bond resolution or ordinance adopted under this act if the lease does all of the following:

(a) Requires the lessee to pay rent to the hospital authority in an amount sufficient to pay the principal and interest obligations of the bonds as they become due.

(b) Requires the lessee to maintain the various bond funds as required by this act and by the bond resolution or ordinance.

(c) Provides for the continuation of the lien created by this act and by the bond resolution or ordinance on the net revenues of the hospital.

(d) Requires the lessee to operate the hospital in a manner consistent with the bond resolution or ordinance.

(5) If self-liquidating bonds have been issued by the hospital authority under this act, and if the bonds are outstanding, a sale of a hospital under subsection (2) is not a violation of this act or of any bond resolution or ordinance adopted under this act if all of the following conditions are met:

(a) The outstanding bonds are defeased.

(b) Defeasance of the existing bonded indebtedness is accomplished by depositing sufficient cash or United States treasury obligations, or both, in escrow in an amount sufficient, including interest to be earned on the funds and obligations placed in escrow, to provide for payment of all interest, principal, and premium, if any, when and as due on the outstanding bonds, including final payment. As used in this subdivision, "final payment" means the final payment due at the maturity of the bonds or on the redemption of the bonds before maturity on a date on which the bonds are callable for redemption if irrevocable arrangements have been made to call the bonds for redemption on that date.

(c) The contract of sale contains provisions implementing this subsection.

(6) Subject to subsection (9), if a hospital authority passes a resolution providing for an election as provided in subsection (2), the legislative body of a city, village, or township participating in the hospital authority may, within 90 days after the date the resolution is passed by the hospital authority, pass a resolution to withdraw from membership in the authority. If the resolution to withdraw as a member of the authority is passed by the legislative body, the election under subsection (2) must not be held unless a majority of the hospital authority board concurs in the withdrawal of that member unit. If the board concurs in the withdrawal, the withdrawal is effective on the date of the sale, lease, or other transfer of the hospital after the election under subsection (2). After the effective date of the withdrawal, the withdrawing member unit is not subject to any tax levy or other request for funds made by the hospital authority under this act or otherwise, and is not entitled to any of the assets of the hospital authority.

(7) Subject to subsection (9) and except as otherwise provided in this subsection, if a hospital authority passes a resolution providing for an election under subsection (2), the legislative body of a city, village, or township participating in the hospital authority may, within 90 days after the date the resolution is passed by the hospital authority, provide by resolution for a public vote of the electors of the city, village, or township on the question of the withdrawal of that unit from membership in the hospital authority. The election must be

held at the same time as the at large election held under subsection (2) and conducted in the same manner as provided in section 4 for the approval of an additional tax for capital improvements. If an election is called by a member unit under this subsection, its vote is a separate vote for that unit on the question of withdrawal from the hospital authority. However, an election under this subsection or under subsection (2) must not be conducted unless the hospital board has by majority vote consented to the withdrawal of the member unit that has resolved to hold an election on the question of withdrawal from the authority under this subsection. If the board concurs in the withdrawal, the withdrawal is effective on the date of the sale, lease, or other transfer of the hospital after the election under subsection (2). After the effective date of the withdrawal, the withdrawing member unit is not subject to any tax levy or other request for funds made by the hospital authority under this act or otherwise, and is not entitled to any of the assets of the hospital authority.

(8) Subject to subsection (9) and except as otherwise provided in this subsection, if a hospital authority passes a resolution providing for an election under subsection (2), the electors of a city, village, or township participating in the hospital authority may, by petition signed by a number of qualified and registered electors residing within the city, village, or township equal to not less than 5% of the number of votes cast by the qualified and registered electors in that city, village, or township for secretary of state at the last general election in which a secretary of state was elected, require a public vote of the electors in that city, village, or township on the question of the withdrawal of that unit from membership in the hospital authority. The petitions must be submitted to the clerk of the city, village, or township within 90 days after the passage of the resolution by the hospital authority providing for an election under subsection (2). If a sufficient number of signatures are submitted, the clerk of the city, village, or township shall take the steps necessary to provide for an election. The election must be held at the same time as the at large election held under subsection (2) and conducted in the same manner as provided in section 4 for the approval of an additional tax for capital improvements. If an election is required in a member unit under this subsection, its vote is a separate vote for that unit on the question of withdrawal from the hospital authority. However, an election under this subsection or under subsection (2) must not be conducted unless by a majority vote the hospital board has consented to the withdrawal of the member unit. If the board concurs in the withdrawal, the withdrawal is effective on the date of the sale, lease, or other transfer of the hospital after the election under subsection (2). After the effective date of the withdrawal, the withdrawing member unit is not subject to any tax levy or other request for funds made by the hospital authority under this act or otherwise, and is not entitled to any of the assets of the hospital authority.

(9) If, at the election held under subsection (2), a majority of the electors at large do not vote to approve the sale, lease, or other transfer of the hospital to a nonprofit corporation, a resolution passed under subsection (6) or an election held under subsection (7) or (8) to withdraw a city, village, or township from participation in the hospital authority is void.

(10) An election held under subsection (8) takes precedence over a resolution passed under subsection (6).

(11) For a lease or other transfer of a hospital under subsection (2), the total bonded indebtedness of the hospital after the lease or transfer must not be increased so as to exceed 60% of the total asset value of the hospital without a majority vote of the members serving on the hospital authority board. As used in this subsection and subsection (12), "total asset value" means the total value of the various assets of the hospital, including assets to be constructed or acquired by means of the additional proposed bonded indebtedness, as shown on an audited financial statement that includes all bonded indebtedness of the hospital.

(12) For a lease or other transfer of a hospital under subsection (2), the total bonded indebtedness of the hospital after the lease or transfer must not be increased so as to exceed 80% of the total asset value of the hospital unless authorized at a general or special election and approved by a majority vote of the total qualified and registered electors voting on the question in each city, village, and township participating in the hospital authority. The election must be conducted in the same manner as provided in section 4 for the approval of an additional tax for capital improvements.

(13) On the sale, lease, or other transfer of a hospital under this section, the nonprofit corporation or subsequent profit entity shall assume and is bound by any existing labor agreement applicable to the hospital, for the remainder of the term of the agreement. A representative of the employees or a group of employees who is entitled to represent the employees or group of employees under 1947 PA 336, MCL 423.201 to 423.217, shall continue to be the representative of the employees or group of employees if the employees become employees of the nonprofit corporation or subsequent profit entity. This subsection does not limit the rights of the hospital employees, under applicable law, to assert that a bargaining representative protected by this subsection is no longer the representative of the employees.

(14) A hospital authority whose jurisdiction has a member population of more than 300,000 may, by resolution adopted by a majority vote of the hospital board, provide for the sale, lease, or other transfer of a hospital owned by the hospital board on any terms and conditions considered reasonable by the hospital

board, including sale, lease, or other transfer for no or nominal monetary consideration, subject to all of the following terms and conditions:

(a) The sale, lease, or other transfer is to a nonprofit corporation established under the nonprofit corporation act, 1982 PA 162, MCL 450.2101 to 450.3192, and organized specifically for the ownership and operation of the hospital. The nonprofit corporation shall at the time of the sale, lease, or other transfer or within 6 months after the date of the sale, lease, or other transfer, be an entity exempt from federal income tax under section 501(c) of the internal revenue code of 1986, 26 USC 501, or a comparable successor provision.

(b) The articles of incorporation of the nonprofit corporation and the contractual arrangements between the hospital authority and the nonprofit corporation must at all times require that the nonprofit corporation operate the hospital as a nonprofit community health facility open to the general public that serves the general population residing in the service area of the hospital authority.

(c) The articles of incorporation of the nonprofit corporation and the contractual arrangements between the hospital authority and the nonprofit corporation must at all times require that the nonprofit corporation shall not sell all of the transferred assets without the express consent of the hospital authority and the approval by a majority of the voters in an election conducted in the same manner as provided in section 4 for the approval of an additional tax for capital improvements. If all of the transferred assets are sold under this subdivision, the sale must be for market value and the proceeds of the transaction must be turned over to the hospital authority and used for health care needs within the service area of the hospital authority.

(d) The articles of incorporation of the nonprofit corporation and the contractual arrangements between the hospital authority and the nonprofit corporation must at all times require that the nonprofit corporation adopt and carry out policies designed to ensure that the hospital complies with the requirement of section 20201(2)(a) of the public health code, 1978 PA 368, MCL 333.20201, that patients not be denied appropriate care on the basis of source of payment.

(15) As used in subsection (14), "hospital" includes all property, real and personal, tangible and intangible, including without limitation cash, accounts receivable, and pension reserves used in the operation and management of 1 or more hospitals.

(16) If self-liquidating bonds have been issued by the hospital authority under this act, and if the bonds are outstanding, a sale, lease, or other transfer of a hospital under subsection (14) is not a violation of this act or of any bond resolution or ordinance adopted under this act if all of the following conditions are met:

(a) The outstanding bonds are defeased.

(b) Defeasance of the existing bonded indebtedness is accomplished by depositing sufficient cash or United States treasury obligations, or both, in escrow in an amount sufficient, including interest to be earned on the funds and obligations placed in escrow, to provide for payment of all interest, principal, and premium, if any, when and as due on the outstanding bonds, including final payment. As used in this subdivision, "final payment" means the final payment due at the maturity of the bonds or on redemption of the bonds before maturity on a date on which the bonds are callable for redemption if irrevocable arrangements have been made to call the bonds for redemption on that date.

(17) If a hospital authority passes a resolution providing for the sale, lease, or other transfer of a hospital under subsection (14), the legislative body of a city, village, or township participating in the hospital authority may, within 60 days after the resolution is passed by the hospital authority, pass a resolution to withdraw from membership in the authority. If a legislative body of a member city, village, or township in the authority passes a resolution to withdraw under this subsection, the resolution adopted by the hospital authority under subsection (14) is not effective until a majority of the hospital authority board concurs in the withdrawal of that city, village, or township. However, if the sale, lease, or other transfer of the hospital is not carried out, the resolution to withdraw and the hospital authority's resolution of concurrence in the withdrawal are void.

(18) On the sale, lease, or other transfer of a hospital under subsection (14), the nonprofit corporation shall assume and is bound by any existing labor agreement applicable to the hospital, for the remainder of the term of the agreement. A representative of the employees or a group of employees under 1947 PA 336, MCL 423.201 to 423.217, shall continue to be the representative of the employees or group of employees when the employees become employees of the nonprofit corporation or subsequent profit entity. This subsection does not limit the rights of the hospital employees, under applicable law, to assert that a bargaining representative protected by this subsection is no longer the representative of the employees.

(19) A hospital authority whose jurisdiction has a member population of fewer than 5,000 may by resolution adopted by a majority vote of the hospital board provide for the sale, lease, or other transfer of real property owned by the hospital board to the county in which the member units of the hospital authority are located on any terms and conditions considered reasonable by the hospital board, including sale, lease, or other transfer for no or nominal monetary consideration.

(20) If a hospital authority has completed the purposes for which it was organized, the hospital board, by a



vote of the majority of the entire hospital board, may provide for the dissolution of the hospital authority. A hospital authority has not completed the purposes for which it was organized if it has bonds outstanding that have not been defeased as described in this section.

**History:** 1945, Act 47, Imd. Eff. Mar. 15, 1945;—CL 1948, 331.9;—Am. 1951, Act 79, Imd. Eff. May 28, 1951;—Am. 1972, Act 96, Eff. Mar. 30, 1973;—Am. 1987, Act 117, Imd. Eff. July 14, 1987;—Am. 1988, Act 273, Imd. Eff. July 15, 1988;—Am. 1990, Act 69, Imd. Eff. Apr. 30, 1990;—Am. 2022, Act 131, Imd. Eff. June 29, 2022.

**Popular name:** Municipal Hospital Authority Act

### **331.10 Violation of MCL 168.1 to 168.992 applicable to petitions; penalties.**

Sec. 10. A petition under section 8c or 9, including the circulation and signing of the petition, is subject to section 488 of the Michigan election law, 1954 PA 116, MCL 168.488. A person who violates a provision of the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992, applicable to a petition described in this section is subject to the penalties prescribed for that violation in the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992.

**History:** Add. 1998, Act 186, Eff. Mar. 23, 1999.

**Popular name:** Municipal Hospital Authority Act

### **331.11 Declaration of necessity.**

Sec. 11. This act is necessary for the protection of the public welfare, health and safety.

**History:** 1945, Act 47, Imd. Eff. Mar. 15, 1945;—CL 1948, 331.11.

**Popular name:** Municipal Hospital Authority Act

## HOSPITAL FINANCE AUTHORITY ACT Act 38 of 1969

AN ACT to create a state hospital finance authority to lend money to nonprofit hospitals and nonprofit health care providers for capital improvements or to refinance hospital, health care, and certain retirement housing indebtedness; to provide for the incorporation of local hospital authorities with power to lend money to nonprofit hospitals and nonprofit health care providers for hospital and health care indebtedness or to refinance hospital, health care, and certain retirement housing indebtedness; to construct, acquire, reconstruct, remodel, improve, add to, enlarge, repair, own, lease, and sell hospital and health care facilities; to finance outstanding hospital, health care, and certain retirement housing indebtedness; to authorize the authorities to borrow money and issue obligations to accomplish the purposes of this act, including the refunding or advance refunding of obligations issued by certain entities; to permit the authorities to enter into loans, contracts, leases, mortgages, and security agreements which may include provisions for the appointment of receivers; to exempt obligations and property of the authorities from taxation; and to provide other rights, powers, and duties of the authorities.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1970, Act 142, Imd. Eff. Aug. 1, 1970;—Am. 1974, Act 137, Imd. Eff. June 5, 1974;—Am. 1978, Act 277, Imd. Eff. July 3, 1978;—Am. 1992, Act 302, Imd. Eff. Dec. 21, 1992;—Am. 1994, Act 428, Imd. Eff. Jan. 6, 1995.

*The People of the State of Michigan enact:*

### CHAPTER 1

#### **331.31 Hospital finance authority act; short title.**

Sec. 1. This act shall be known and may be cited as the "hospital finance authority act".

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

#### **331.32 Legislative declaration.**

Sec. 2. It is declared that, for the benefit of the people of this state and the improvement of their health, welfare, and living conditions, it is essential that hospitals within this state be provided with appropriate means at reasonable cost to maintain, expand, enlarge, and establish health care, hospitals, nursing care, certain retirement housing, and other related facilities; that hospitals be provided with the ability to refinance indebtedness; and that authorities created or incorporated under this act be provided with the ability to refund or to refund in advance obligations issued for the benefit of hospitals. This act shall provide a method to enable hospitals in this state to provide or maintain at reasonable cost pursuant to reasonable terms the facilities, structures, and services needed to accomplish the purposes of this act, all to the public benefit and good, to the extent and manner provided in this act.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1978, Act 277, Imd. Eff. July 3, 1978;—Am. 1994, Act 428, Imd. Eff. Jan. 6, 1995.

#### **331.33 Definitions.**

Sec. 3. As used in this act:

- (a) "State authority" means the hospital finance authority created by this act.
- (b) "Local authority" means a public municipal corporation incorporated under this act.
- (c) "Incorporating unit" means a county, city, village, or township or a combination of 1 or more counties, cities, villages, or townships incorporating a local authority pursuant to this act.
- (d) "Governing body" means the board charged with the governing of the incorporating unit.
- (e) Except as provided in subdivision (f)(iii), "hospital" means a public or nonpublic corporation, association, institution, or establishment located within this state for the care of the sick or wounded or of those who require medical treatment or nursing care or home for the aged or which provides retirement housing facilities described in subdivision (f)(iii) operated without profit to an individual, corporation, or association. Hospital includes a nonprofit corporation or other nonprofit organization engaged in some phase of hospital, nursing care, home for the aged, or, to the extent described in subdivision (f)(iii), retirement housing activity or in owning, controlling, or providing a supporting service to a hospital or public corporation that operates or owns a hospital facility. Hospital does not include a health facility or agency located in a correctional institution, a veterans facility operated by this state or the federal government, or a facility owned and operated by the department of community health.
- (f) "Hospital facilities" means any of the following:
  - (i) A building or structure suitable and intended for, or incidental or ancillary to, use by a hospital and

includes nursing homes, homes for the aged, outpatient clinics, laboratories, laundries, nurses', doctors', or interns' residences, administration buildings, facilities for research directly involved with hospital care, maintenance, storage, or utility facilities, parking lots, and garages and all necessary, useful, or related equipment, furnishings, and appurtenances and all lands necessary or convenient as a site for these facilities.

(ii) An office facility not less than 80% of which is intended for lease to direct providers of health care, and that has been determined by the department of public health to meet a demonstrated need and to be geographically or functionally related to 1 or more other hospital facilities, if the authority that is issuing the bonds determines the financing of the office facility is necessary to accomplish the purposes and objectives of this act.

(iii) For the purpose of refinancing or refunding debt described in this subdivision only, retirement housing facilities owned by a nonpublic, nonprofit organization on September 1, 1994, placed in service on or before September 1, 1994, and for which there was outstanding on September 1, 1994 debt incurred for the construction or acquisition of the retirement housing facilities, which debt is not eligible for refinancing by the Michigan state housing development authority solely by reason of the provisions of section 44c(2) of the state housing development authority act of 1966, 1966 PA 346, MCL 125.1444c; provided that the refinancing debt, incurred with an authority created by or incorporated under this act to refinance the retirement housing facilities, is debt that a nonprofit hospital or nonprofit nursing home or a nonprofit entity which owns or controls or is owned or controlled by a nonprofit hospital or nonprofit nursing home is obligated to repay and that no allocation of the state volume limitation on tax exempt obligations is required with respect to the refinancing debt or obligations issued by an authority created by or incorporated under this act to fund that refinancing debt. As used in this subparagraph:

(A) "Hospital" means that term as defined in section 20106 of the public health code, 1978 PA 368, MCL 333.20106.

(B) "Nursing home" means that term as defined in section 20109 of the public health code, 1978 PA 368, MCL 333.20109.

(g) "Hospital loan" means a loan made by the state authority or a local authority to a hospital.

(h) "Project costs" means the total of the reasonable or necessary costs incurred for carrying out the works and undertakings for the acquisition or construction of hospital facilities under this act. These include the costs of studies and surveys; plans and specifications; architectural and engineering services; legal, organization, marketing, or other special services; financing, acquisition, demolition, construction, equipment, and site development of new and rehabilitated buildings; rehabilitation, reconstruction, repair, or remodeling of existing buildings; interest and carrying charges during construction and before full earnings are achieved and operating expenses before full earnings are achieved or a period of 1 year following the completion of construction, whichever occurs first; and a reasonable reserve for payment of principal and interest on bonds or notes of the authority. Project costs include reimbursement of a hospital for the costs described in this subdivision expended by a hospital either from its own funds or from money borrowed by the hospital for such purposes before issuance and delivery of bonds by the authority for the purpose of providing funds to pay the project costs. Project costs also includes the refinancing of any existing debt of a hospital necessary in order to permit the hospital to borrow or lease from the authority and give adequate security for the loan or lease. The determination of the authority with respect to the necessity of refinancing and adequate security for a loan or lease is conclusive except with respect to the approval of the municipal finance commission or its successor agency when prior approval is required.

(i) "Direct provider of health care" means a person or organization whose primary current activity is the provision of health care to individuals, and includes a licensed or certified physician, dentist, nurse, podiatrist, physician's assistant, or an organization comprised of these health professionals or employing these health professionals.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1970, Act 142, Imd. Eff. Aug. 1, 1970;—Am. 1974, Act 137, Imd. Eff. June 5, 1974;—Am. 1978, Act 277, Imd. Eff. July 3, 1978;—Am. 1983, Act 48, Imd. Eff. May 16, 1983;—Am. 1992, Act 302, Imd. Eff. Dec. 21, 1992;—Am. 1994, Act 428, Imd. Eff. Jan. 6, 1995;—Am. 2008, Act 294, Imd. Eff. Oct. 6, 2008.

## CHAPTER 2

### **331.41 State hospital finance authority; creation; public body corporate and politic; appointment and terms of members; vacancies; deputies; quorum; action by authority; expenses; authority within department of treasury; independent exercise of powers, duties, and functions; conducting business at public meeting; notice.**

Sec. 11. (1) The state hospital finance authority is created. The state authority is a public body corporate and politic of the state and shall consist of the director of the department of public health, the state treasurer, 4

public members, and a chairperson. The 4 public members and chairperson shall be appointed by the governor, by and with the advice and consent of the senate. The public members and the chairperson of the authority shall serve for terms of 4 years, or until a successor is appointed and qualified by taking and filing the constitutional oath of office, whichever is later. Vacancies shall be filled for the unexpired term in the same manner as the original appointment. The director of public health and the state treasurer may each designate a deputy or other employee of their respective departments to serve as a member of the state authority in their absences. The deputy or other employee of that department shall serve at the pleasure of the director of public health or the state treasurer. A majority of the members constitute a quorum for the purpose of conducting the business and exercising the powers of the state authority. Action may be taken by the state authority upon the vote of the majority of its members.

(2) Members of the state authority shall not receive compensation for services but are entitled to the necessary expenses, including traveling expenses, incurred in the discharge of their duties. Any payments for compensation and expenses shall be paid from the funds of the authority.

(3) The state authority is located within the department of treasury and shall exercise its prescribed statutory powers, duties, and functions independently of the head of the department.

(4) The business that the state hospital finance authority may perform shall be conducted at a public meeting of the authority held in compliance with the open meetings act, Act No. 267 of the Public Acts of 1976, being sections 15.261 to 15.275 of the Michigan Compiled Laws. Public notice of the time, date, and place of the meeting shall be given in the manner required by Act No. 267 of the Public Acts of 1976.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1970, Act 142, Imd. Eff. Aug. 1, 1970;—Am. 1973, Act 195, Imd. Eff. Jan. 8, 1974;—Am. 1974, Act 137, Imd. Eff. June 5, 1974;—Am. 1978, Act 206, Imd. Eff. June 4, 1978;—Am. 1978, Act 277, Imd. Eff. July 3, 1978;—Am. 1992, Act 302, Imd. Eff. Dec. 21, 1992.

**Compiler's note:** For consolidation of administrative staff of Michigan higher education assistance authority, Michigan higher education facilities authority, Michigan higher education student loan authority, Michigan municipal bond authority, and state hospital finance authority, and for transfer of certain functions to state treasurer, see E.R.O. No. 2002-8, compiled at MCL 12.193.

For transfer of powers and duties of state hospital finance authority to Michigan finance authority, see E.R.O. No. 2010-2, compiled at MCL 124.194.

For transfer of powers and duties of state hospital finance authority to Michigan finance authority, see E.R.O. No. 2010-2, compiled at MCL 124.194.

### **331.42 Powers of state authority.**

Sec. 12. The state authority has the powers necessary to carry out and effectuate the purposes of this act, including, but not limited to, all of the following:

(a) To sue and be sued, to have a seal and authority to alter that seal at pleasure, to have perpetual succession, to make, execute, and deliver contracts, conveyances, and other instruments necessary or convenient to the exercise of its powers, and to make and amend bylaws.

(b) To solicit and accept gifts, grants, loans, and other aids from any person, corporation, or governmental agency.

(c) To make loans, to participate in the making of loans, to undertake commitments, to make loans and mortgages, to sell loans and mortgages at public or private sale, to modify or alter loans and mortgages, to discharge loans and mortgages, to foreclose on a mortgage or commence an action to protect or enforce a right conferred upon the state authority by a law, mortgage, loan, contract, or other agreement, to bid for and purchase property that was the subject of a mortgage at a foreclosure or at any other sale and to acquire or take possession of that property, to complete, administer, pay the principal and interest on any obligations incurred in connection with acquired property, and to dispose of and otherwise deal with the property in a manner necessary or desirable to protect the interests of the state authority in the property. The loans made by the authority may be secured or unsecured, as the authority determines.

(d) To loan money to hospitals for the purpose of refinancing any outstanding indebtedness of a hospital if the state authority determines the refinancing is necessary to realize the objectives and purposes of this act. A hospital loan made pursuant to this subdivision shall not exceed the amount of the principal, interest, and redemption premium, if any, of the indebtedness to be refinanced that has not been repaid, plus the marketing, financing, legal, and other costs incurred in connection with the refinancing and the issuance of bonds of the state authority issued in whole or in part to provide funds to make the hospital loan described in this subdivision, including the costs of funding a bond reserve and paying capitalized interest on the bonds for a period not to exceed 1 year after the issuance of the bonds. The determination of the state authority under this subdivision is conclusive except with respect to the approval of the municipal finance commission or its successor agency when prior approval is required.

(e) To charge, impose, and collect fees and charges in connection with its loans, commitments, and servicing including reimbursement of costs of financing by the authority, service charges, insurance

premiums, and an allocable share of the operating expenses of the authority and to make provision for increasing those fees and charges, if necessary, as the state authority determines is reasonable and approved by the state authority.

(f) To acquire, hold, and dispose of real or personal property convenient for the accomplishment of the purpose of this act.

(g) To procure insurance against a loss in connection with its property, assets, or activities.

(h) To borrow money and issue its bonds or notes for the money and provide for the rights of the holders of the bonds or notes and to secure the bonds by mortgage, assignment, or pledge of any or all of its properties including any part of the security for its hospital loans. The state shall not be liable on any bonds of the state authority, the bonds and notes are not a debt of the state, and each bond and note shall contain on its face a statement to that effect.

(i) To invest any funds not required for immediate use or disbursement, at its discretion, in any of the following:

(i) Obligations of this state, the United States, or an agency of the United States.

(ii) Obligations the principal and interest of which are guaranteed by this state or the United States.

(iii) Certificates of deposit of a bank that is a member of the federal reserve system.

(iv) Certificates of deposit of a savings and loan association that is a member of the federal home loan bank system.

(v) Commercial paper that is rated at the time of purchase within the 2 highest classifications established by not less than 2 national rating services and that matures not more than 270 days after the date of purchase.

(vi) In United States government or federal agency obligation repurchase agreements.

(vii) In bankers' acceptances of United States banks.

(viii) In mutual funds composed of investment vehicles that are legal for direct investment by the state authority.

(ix) Subject to the approval of the state treasurer, obligations specified by the state authority in a contract with the holders of its bonds or notes.

(j) To engage necessary personnel and to engage the services of private consultants for rendering professional and technical assistance and advice.

(k) To promulgate rules necessary to carry out the purposes of this act and to exercise the powers expressly granted in this act pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

(l) To enter into interest rate exchanges or swaps, hedges, or similar agreements with respect to its bonds or notes in the same manner and subject to the same limitations and conditions as provided for a municipality in the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1974, Act 137, Imd. Eff. June 5, 1974;—Am. 1978, Act 277, Imd. Eff. July 3, 1978;—Am. 1983, Act 48, Imd. Eff. May 16, 1983;—Am. 1992, Act 302, Imd. Eff. Dec. 21, 1992;—Am. 1992, Act 303, Imd. Eff. Dec. 21, 1992;—Am. 1994, Act 428, Imd. Eff. Jan. 6, 1995;—Am. 2002, Act 436, Imd. Eff. June 10, 2002.

**Compiler's note:** For consolidation of administrative staff of Michigan higher education assistance authority, Michigan higher education facilities authority, Michigan higher education student loan authority, Michigan municipal bond authority, and state hospital finance authority, and for transfer of certain functions to state treasurer, see E.R.O. No. 2002-8, compiled at MCL 12.193.

**Administrative rules:** R 331.1 et seq. of the Michigan Administrative Code.

### **331.43 Hospital loan from state authority; purpose; requirements; security; appointment of receiver; limitation on loan; repayment; interest.**

Sec. 13. The state authority may lend money to hospitals for the acquisition, construction, improvement, or alteration of hospital facilities. A hospital loan shall not be made unless the state authority is reasonably satisfied that there will be made available to the hospital from the hospital loan and other sources all the funds necessary to pay all project costs; that the hospital facility and other revenues pledged will produce sufficient revenues to meet the principal and interest on the hospital loan, other costs, expenses, and charges in connection with the loan and other charges or obligations of the hospital which may be prior or equal to the loan promptly as they become due; and that the hospital is otherwise soundly financed. The hospital loan may be secured by a mortgage of property of the hospital including the hospital facility and may provide for the appointment of a receiver to operate the hospital facilities in case of default. A hospital loan made pursuant to this section shall not exceed the project costs as determined by the state authority. A loan shall be secured in a manner, be repaid in a period not exceeding 50 years, and bear interest at a rate, as determined by the authority, which rate may be decreased or increased so that it is not less than the rate paid by the authority on notes, renewal notes, or bonds issued to fund the loan.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1970, Act 142, Imd. Eff. Aug. 1, 1970;—Am. 1978, Act 277, Imd. Eff. July 3, 1978;—Am. 1983, Act 48, Imd. Eff. May 16, 1983;—Am. 1992, Act 302, Imd. Eff. Dec. 21, 1992;—Am. 1992, Act 303, Imd. Eff. Dec. 21, 1992;—Am. 1994, Act 428, Imd. Eff. Jan. 6, 1995;—Am. 2002, Act 436, Imd. Eff. June 10, 2002.

**331.44 Bonds and notes; renewal notes; refunding bonds; notes or bonds as general obligations of authority; contents of resolution authorizing notes or bonds; authority of member, officer, or other employee.**

Sec. 14. (1) The state authority periodically may issue its negotiable bonds and notes, including, but not limited to, commercial paper in a principal amount that, in the opinion of the state authority, is necessary to provide sufficient funds for the making of hospital loans, including temporary loans during the construction of hospital facilities, and for the payment of interest on bonds and notes of the state authority during construction of hospital facilities for which the hospital loan was made and for a reasonable time after the loan was made and for the establishment of reserves to secure those bonds and notes.

(2) The state authority periodically may issue renewal notes, may issue bonds to pay notes, and if the state authority considers refunding expedient, to refund or to refund in advance bonds or notes issued by an entity for the benefit of a hospital, pursuant to the requirements of sections 43a to 43g.

(3) Except as may otherwise be expressly provided by the state authority, every issue of its notes or bonds shall be general obligations of the authority payable out of any properties, revenues, or money of the state authority, subject only to any agreements with the holders of particular notes or bonds pledging any particular properties, revenues, or money.

(4) A resolution authorizing notes or bonds or an issue of notes or bonds under this chapter may contain provisions, which are a part of the contract with the holders of the bonds or notes, regarding 1 or more of the following:

(a) Pledging and creating a lien on all or any part of the fees and charges made or received or to be received by the state authority, all or any part of the money received in payment of hospital loans and interest on hospital loans, and other money received or to be received, to secure the payment of the notes or bonds or of any issue of notes or bonds, subject to those agreements with bondholders or noteholders that then exist.

(b) Pledging and creating a lien on all or any part of the assets of the state authority, including notes, mortgages, and obligations securing the assets, to secure the payment of the notes or bonds or of any issue of notes or bonds, subject to those agreements with noteholders or bondholders that then exist.

(c) Pledging and creating a lien on any loan, grant, or contribution to be received from the federal, state, or local government or other source.

(d) The use and disposition of the income from hospital loans and mortgages owned by the state authority and payment of principal and interest of mortgages and loans owned by the state authority.

(e) The setting aside of reserves or sinking funds and the regulation and disposition of those reserves or sinking funds.

(f) Limitations on the purpose to which the proceeds of the sale of notes or bonds may be applied and pledging the proceeds to secure the payment of the notes or bonds or of any issue of the notes or bonds.

(g) Limitations on the issuance of additional notes or bonds and the terms upon which additional notes or bonds may be issued and secured.

(h) The procedure by which the terms of a contract with noteholders or bondholders may be amended or abrogated, the amount of notes or bonds the holders of which must consent to the amendment or abrogation, and the manner in which the consent may be given.

(i) Vesting in a trustee or trustees the property, rights, powers, remedies, and duties that the state authority considers necessary or convenient.

(5) Within limitations stated in the issuance or authorization resolution of the state authority, the state authority may authorize a member of the state authority or an officer or other employee of the state authority to do 1 or more of the following:

(a) Sell, deliver, and receive payment for notes or bonds.

(b) Refund notes or bonds by the delivery of new notes or bonds whether or not the notes or bonds to be refunded have matured or are subject to redemption.

(c) Deliver notes or bonds, to refund notes or bonds or for any other authorized purpose.

(d) Purchase notes or bonds issued by the state authority and resell those notes or bonds.

(e) Approve interest rates or methods for fixing interest rates, prices, discounts, maturities, principal amounts, denominations, dates of issuance, mandatory or optional redemption provisions, the place of delivery and payment, and other matters and procedures necessary to complete the transactions authorized by the state authority.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1970, Act 142, Imd. Eff. Aug. 1, 1970;—Am. 1978, Act 277, Imd. Eff. July 3, 1978;—Am. 1992, Act 302, Imd. Eff. Dec. 21, 1992;—Am. 1994, Act 428, Imd. Eff. Jan. 6, 1995.

**331.45 Repealed. 1992, Act 302, Imd. Eff. Dec. 21, 1992.**

**Compiler's note:** The repealed section pertained to the creation and establishment of a bond reserve fund.

**331.46 State authority; state treasurer, agent; deposits, payments, security; agreements; system of accounts.**

Sec. 16. (1) All moneys of the state authority, except as otherwise authorized or provided in this section, shall be paid to the state treasurer, as agent of the state authority, who shall not commingle such moneys with any other moneys. The moneys shall be deposited in a separate bank account or accounts. The moneys in such accounts shall be paid out by the state treasurer on requisition of the chairman of the state authority or of such other officer or employee as the state authority shall authorize. If required by the state treasurer or the state authority, all deposits of such moneys shall be secured by obligations of the United States or of the state of a market value equal at all times to the amount of the deposit and all banks and trust companies are authorized to give such security for such deposits.

(2) Notwithstanding the provisions of this section, the state authority, subject to the approval of the state treasurer, may contract with the holders of any of its notes or bonds as to the custody, collection, securing, investment and payment of any moneys of the state authority and any moneys held in trust or otherwise for the payment of notes or bonds. Moneys held in trust or otherwise for the payment of notes or bonds or in any way to secure notes or bonds and deposits of such moneys may be secured in the same manner as moneys of the state authority and all banks and trust companies are authorized to give such security for such deposits.

(3) Subject to agreements with noteholders and bondholders and the approval of the auditor general, the authority shall prescribe a system of accounts for the state authority.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

CHAPTER 3

**331.51 Incorporation of local hospital authority; purposes.**

Sec. 21. An incorporating unit may incorporate a local hospital authority under this act for the purposes of constructing, acquiring, reconstructing, remodeling, improving, adding to, enlarging, repairing, owning, and leasing hospital facilities for the use of a hospital within or without the boundaries of the incorporating unit; lending money to a hospital for those purposes; refunding or refunding in advance obligations of a local authority or the state authority; or refinancing the indebtedness of a hospital.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1978, Act 277, Imd. Eff. July 3, 1978.

**331.52 Local authority; articles of incorporation, adoption, certificate form.**

Sec. 22. The incorporation of a local hospital authority shall be accomplished by the adoption of articles of incorporation by the governing body of the incorporating unit. The affirmative vote of the majority of the members-elect of the governing body of the incorporating unit is required for such adoption. The articles of incorporation shall be executed for and on behalf of the incorporating unit by the chief executive officer and clerk. The clerk of each incorporating unit shall also affix to the articles of incorporation, following the signatures thereto, a certificate in form substantially as follows:

"The foregoing articles of incorporation were adopted by the ..... of the ..... of ..... County of ....., Michigan, at a meeting duly held on the ..... day of ....., 19..... . Dated: ....., 19..... .  
.....Clerk"

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

**331.53 Local authority; articles, contents.**

Sec. 23. The articles of incorporation shall set forth the name of the local authority, which name shall include the word "hospital"; the name of the incorporating unit; the purpose for which the local authority is created; the number, terms and manner of selection of the local authority's officers, including its governing board which shall be known as the "commission"; the powers and duties of the local authority and of its officers; the date upon which the articles of incorporation shall become effective and the local authority shall be established; the name of the newspaper in which the articles of incorporation shall be published and the name of the person responsible for the publication and filings required by this act; and any other matters necessary or expedient to be included therein.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

**Compiler's note:** The term "world" near the beginning of this section evidently should read "word."

**331.54 Local authority; articles, execution, filing, publication; validity of incorporation.**

Sec. 24. The articles of incorporation shall be executed in duplicate and delivered to the county clerk of the

county in which the local authority is located, who shall file 1 duplicate in his office and the other with the recording officer of the hospital authority when selected. The county clerk shall publish a copy of the articles of incorporation once in a newspaper designated in the articles of incorporation and circulating within the county. He shall file 1 printed copy of the articles of incorporation with the secretary of state and 1 in his office, attached to each shall be his certificate setting forth that the same is a true and complete copy of the original articles of incorporation on file in his office and also the date and place of the publication thereof. The local authority shall be established at the time provided in the articles of incorporation. The validity of the incorporation shall be conclusively presumed unless questioned in a court of competent jurisdiction within 60 days after the filing of the certified copies with the secretary of state and the county clerk.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

### **331.55 Local authority; articles, amendment.**

Sec. 25. Amendments may be made to articles of incorporation if adopted by the governing body of the incorporating unit. No amendment shall impair the obligation of any bond or other contract. Each amendment shall be adopted, executed and published and certified printed copies filed, in the same manner as the original articles of incorporation.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

### **331.56 Local authority as public body corporate; enumeration of powers; general powers not limited; conducting business at public meeting; notice.**

Sec. 26. (1) Each local authority is a public body corporate, having the succession and term as may be provided in its articles of incorporation. It may adopt and amend bylaws for the regulation of its affairs and the conduct of its business; adopt an official seal and alter it at its discretion; maintain offices at places as it designates; sue and be sued in its own name in any court of this state; and generally do and suffer to be done all things necessary for and convenient and incident to the carrying out of the purposes of its incorporation. The enumeration of powers in this act shall not be construed as a limitation upon the general powers.

(2) The business which the local authority may perform shall be conducted at a public meeting of the authority held in compliance with Act No. 267 of the Public Acts of 1976, being sections 15.261 to 15.275 of the Michigan Compiled Laws. Public notice of the time, date, and place of the meeting shall be given in the manner required by Act No. 267 of the Public Acts of 1976.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1978, Act 206, Imd. Eff. June 4, 1978.

### **331.57 Powers of local authority.**

Sec. 27. A local authority may:

(a) Construct, acquire by gift, purchase, lease, or condemnation, reconstruct, remodel, improve, add to, enlarge, repair, own, and lease hospital facilities, and acquire a site or sites for the facilities. For the purpose of condemnation, it may proceed under Act No. 149 of the Public Acts of 1911, as amended, being sections 213.21 to 213.41 of the Michigan Compiled Laws, or any other appropriate statute. The governing body of an incorporating unit by majority vote of the body's members elected and serving, may transfer any real property, except cemetery property, owned by the incorporating unit to a local authority established pursuant to this act.

(b) Issue revenue bonds to finance all or any part of the project costs of any hospital facilities or to refinance any outstanding indebtedness of a hospital if the local authority determines that the refinancing is necessary to realize the objectives and purposes of this act. Bonds issued to refinance outstanding hospital indebtedness pursuant to this subdivision shall not exceed the amount of principal, interest, and redemption premium, if any, of the indebtedness to be refinanced which has not been paid, plus the marketing, financing, legal, and other costs incurred in connection with the refinancing and the issuance of the bonds, including the costs of funding a bond reserve, and paying capitalized interest on the bonds for a period not to exceed 1 year after the issuance of the bonds. The determination of the local authority under this subdivision shall be conclusive except with respect to the approval of the municipal finance commission or its successor agency when prior approval is required.

(c) Enter into lease or lease-purchase agreements with a hospital for the use of the hospital facilities. The agreement shall provide that the rents to be charged for the use shall be fixed and revised to produce income and revenues sufficient to pay promptly when due the interest upon and the principal of all bonds issued payable from the income and revenues after provision has been made for the payment of operation and maintenance costs.

(d) Mortgage the hospital facilities in favor of the holders of the bonds issued for those facilities, and may pledge and create a lien in favor of the bondholders on all or part of the funds which are available for payment of principal and interest on the bonds.



(e) Sell and convey part or all of the hospital facilities and site, including without limitation a sale and conveyance subject to a mortgage, for a price and at a time which the local authority may determine. A sale or conveyance shall not be made in a manner as to impair the rights or interests of the holders of bonds.

(f) Make loans; participate in the making of loans; undertake commitments; make loans and mortgages; sell loans and mortgages at public or private sale; modify or alter loans and mortgages; discharge loans and mortgages; foreclose on a mortgage or commence an action to protect or enforce a right conferred upon it by law, mortgage, loan, contract, or other agreement; bid for and purchase property which was the subject of a mortgage at a foreclosure or other sale and acquire or take possession of the property and in that event complete, administer, pay the principal and interest on any obligations incurred in connection with the property; and dispose of and otherwise deal with the property in any manner necessary or desirable to protect the interests of the local authority in the property. The loans made by the authority may be secured by mortgages or not, as the local authority determines.

(g) Loan money to hospitals for the purpose of refinancing outstanding indebtedness of a hospital if the local authority determines that the refinancing is necessary to realize the objectives and purposes of this act. A hospital loan made pursuant to this subdivision shall not exceed the amount of the principal, interest, and redemption premium, if any, of the indebtedness to be refinanced which has not been repaid, plus the marketing, financing, legal, and other costs incurred in connection with the refinancing and the issuance of bonds of the local authority issued in whole or in part to provide funds to make the hospital loan described in this subdivision, including the costs of funding a bond reserve and paying capitalized interest on the bonds for a period not to exceed 1 year after the issuance of the bonds. The determination of the local authority under this subdivision shall be conclusive except with respect to the approval of the municipal finance commission or its successor agency when prior approval is required.

(h) Employ consulting engineers, architects, attorneys, accountants, construction and financial experts, superintendents, managers, and other employees and agents necessary in its judgment and fix their compensation.

(i) Receive and accept from a public or private agency loans or grants for or in aid of a project undertaken, or a portion of a project, and receive and accept loans, grants, aid, or contributions from any source of either money, property, labor, or other things of value, to be held, used, and applied only for the purposes for which the loans, grants, aid, and contributions are made.

(j) Charge, impose, and collect fees and charges in connection with its loans, commitments, and servicing, including reimbursement of costs of financing by the local authority, service charges, insurance premiums, and an allocable share of the operating expenses of the local authority; make provision for increasing the fees and charges, if necessary, as the local authority shall determine to be reasonable and as approved by the local authority; and collect fees and charges from the lessees of the hospital facilities sufficient to meet operation and maintenance expenses of the authority.

(k) Exercise its powers and undertake a project for the benefit of a single hospital or the joint benefit of a group or association of 1 or more hospitals.

(l) Invest funds not required for immediate use or disbursement, at its discretion, in obligations of the state or the United States, in obligations of the principal and interest of which are guaranteed by the state or the United States, or in certificates of deposit of a bank which is a member of the federal reserve system or a savings and loan association which is a member of the federal home loan bank system.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1978, Act 277, Imd. Eff. July 3, 1978;—Am. 1983, Act 48, Imd. Eff. May 16, 1983.

### **331.57a Hospital loan from local authority; purpose; requirements; security; appointment of receiver; limitation on loan; repayment; interest.**

Sec. 27a. A local authority may lend money to hospitals for the payment of project costs. A hospital loan shall not be made unless the local authority is reasonably satisfied that there will be made available to the hospital from the hospital loan and other sources all the funds necessary to pay the project costs; that the hospital facility and other revenues pledged will produce sufficient revenues to meet the principal and interest on the hospital loan, other costs, expenses, and charges connected with the loan, and other charges or obligations of the hospital which may be prior or equal to the loan promptly as they become due; and the hospital is otherwise soundly financed. The hospital loan may be secured by a mortgage of hospital property, including the hospital facility, and may provide for the appointment of a receiver to operate the hospital facilities in case of default. A hospital loan made pursuant to this section shall not exceed the project costs as determined by the local authority. A loan shall be secured in a manner, be repaid in a period not exceeding 50 years, and bear interest at a rate, as determined by the local authority. The rate may be decreased or increased so that it is not less than the rate paid by the local authority on notes, renewal notes, or bonds issued to fund

the loan.

**History:** Add. 1978, Act 277, Imd. Eff. July 3, 1978.

**331.58 Power of local authority to borrow money and issue negotiable bonds; purpose; payment of principal and interest; bond or coupon not general obligation or debt.**

Sec. 28. (1) For the purpose of defraying the project costs of hospital facilities, making hospital loans, refinancing indebtedness of a hospital, or refunding or refunding in advance obligations of any authority created or incorporated under this act, a local authority may borrow money and issue its negotiable bonds. The principal and interest of the bonds shall be payable solely from the net revenues derived from the hospital facilities, from the repayment of hospital loans, from gifts or grants, from amounts derived from the disposition of hospital facilities mortgaged or otherwise pledged as security for payment of the bonds or from investment earnings or profits on any of these sources.

(2) A bond or coupon issued pursuant to this act shall not be a general obligation of nor constitute a debt of the local authority or any of the incorporating units within the meaning of any constitutional, charter, or statutory limitation.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1978, Act 277, Imd. Eff. July 3, 1978.

**331.59 Contents of resolution authorizing bonds.**

Sec. 29. A resolution authorizing bonds or an issue of bonds under this chapter may contain provisions, which shall be a part of the contract with the holders of the bonds, as to:

(a) The use and disposition of the rentals received under the agreement, or the income from hospital loans and mortgages owned by the local authority, and payment of principal and interest on the loans and mortgages, including the creation of reserves or sinking funds, and the regulation and disposition of the reserves and sinking funds.

(b) The limitations on the purpose to which the proceeds of a sale of notes or bonds may be applied, and pledging those proceeds to secure the payment of the notes or bonds or of an issue of notes or bonds.

(c) The limitations on the issuance of additional notes or bonds and the terms and conditions upon which additional notes or bonds may be issued.

(d) The maintenance and repair costs of the hospital facilities, which costs may be assumed by the lessee hospital, in which event provision need not be made for rental payments to meet the costs.

(e) The insurance to be carried on the hospital facilities and the use and disposition of insurance moneys.

(f) The terms and conditions upon which the holder of the bonds, or a portion of the bonds, or any trustees therefor, shall be entitled to the appointment of a receiver by a court which has jurisdiction in the proceedings, and which receiver may enter and take possession of the hospital facilities and lease and maintain the facilities, prescribe rentals, and collect, receive, and apply all income and revenues thereafter arising from the facilities in the same manner and to the same extent as the hospital authority might do.

(g) The procedure by which the terms of a contract with noteholders or bondholders may be amended or abrogated, the amount of notes or bonds the holders of which must consent to an amendment or abrogation, and the manner in which the consent may be given.

(h) The vesting in 1 or more trustees of the property, rights, powers, remedies, and duties which the local authority considers necessary or convenient.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1978, Act 277, Imd. Eff. July 3, 1978.

**331.60 Additional provisions of resolution authorizing bonds.**

Sec. 30. A resolution authorizing the issuance of bonds under this act may provide that the principal of, and interest on, the bonds issued shall be secured by:

(a) In the case of a lease or lease purchase agreement, a mortgage or deed of trust covering the hospital facilities for which the bonds are issued and may include additions, improvements, or extensions made after the date of issuance. The mortgage or deed of trust may contain covenants and agreements to properly safeguard the bonds as may be provided for in the resolution authorizing the bonds, but not inconsistent with this act, and shall be executed in the manner provided in the resolution. The resolution may provide for the appointment of 1 or more trustees for bondholders and any such trustee may be an individual or corporation domiciled or located within or without the state and may be given appropriate powers whether with or without the execution of a mortgage or deed of trust covering the hospital facilities or site.

(b) In the case of loans to hospitals, a lien on all or part of the fees and charges made or received, or to be received, by the local authority from the hospital, on all or part of the money received in payment of the hospital loan and interest on the hospital loan, on all or part of investment earnings or profits on any of these sources, and on all or part of the security held for that payment.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1978, Act 277, Imd. Eff. July 3, 1978.

### **331.61 Local authority; bonds, enforcement of payment, validity, publication.**

Sec. 31. (1) The provisions of this act and any resolution and any mortgage or deed of trust shall continue in effect until the principal and interest on the bonds has been fully paid and the duties of the hospital authority and its commission and officers under this act and any resolution and any mortgage or deed of trust shall be enforceable by any bondholder by mandamus, foreclosure of the mortgage or deed of trust or other appropriate action in any court of competent jurisdiction.

(2) The resolution authorizing the bonds shall provide that the bonds shall contain a recital that they are issued pursuant to this act, which recital shall be conclusive evidence of their validity and of the regularity of their issuance.

(3) Any resolution authorizing the issuance of bonds under this act shall not be effective until publication once in a newspaper of general circulation within the incorporating unit.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

### **331.62 Issuance of new bonds.**

Sec. 32. If it considers refunding expedient, a local authority may periodically issue bonds to refund or refund in advance bonds or notes issued by the local authority, any other local authority, or the state authority, by the issuance of new bonds pursuant to the requirements of sections 43a to 43g.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1978, Act 277, Imd. Eff. July 3, 1978.

### **331.63 Local authority; conveyance of hospital facilities.**

Sec. 33. When all bonds issued pursuant to the provisions of this chapter have been retired, then the local authority may convey the title to the hospital facilities to the lessee hospital or organization authorized to operate a hospital in accordance with any agreement executed between the local authority and the lessee hospital.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

## CHAPTER 4

### **331.71 Applicability of chapter.**

Sec. 41. The state authority and each local authority shall be subject to and governed by the provisions of this chapter of this act except as to those matters which are specifically or by necessary implication provided for in chapter 2 for the state authority and chapter 3 for the local authority.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

### **331.72 Bonds and notes; authorization; type; payment; interest; denominations; form; registration privileges; execution; redemption; sale; revised municipal finance act inapplicable; bonds and notes subject to agency financing reporting act.**

Sec. 42. (1) The notes and bonds authorized by the state authority or local authority shall be authorized by resolution adopted by a majority vote of the members of the authority. The notes and bonds shall be serial bonds, term bonds, or term and serial bonds and shall bear a date and mature at a time, not exceeding 50 years from the date of issue, as the resolution provides. The notes and bonds shall bear interest at the rate or rates as may be set, reset, or calculated from time to time or may bear no interest as provided in the resolution. The notes and bonds shall be in denominations, be in a form, either coupon or registered or both, carry registration privileges, be executed in a manner, be payable in a medium of payment, at a place or places and, at the times, and be subject to the terms of redemption as the resolution provides. The notes and bonds of the authority may be sold by the authority, at public or private sale, at a price or prices as the authority determines. The bonds may be sold at a discount. The bonds shall not be sold at a price that would make the interest costs on the money borrowed exceed 10% or the maximum interest permitted by the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821, whichever is greater. Except as otherwise provided in this act, bonds and notes issued under this act are not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(2) The issuance of bonds and notes under this act is subject to the agency financing reporting act.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1970, Act 142, Imd. Eff. Aug. 1, 1970;—Am. 1974, Act 137, Imd. Eff. June 5, 1974;—Am. 1974, Act 347, Imd. Eff. Dec. 21, 1974;—Am. 1992, Act 302, Imd. Eff. Dec. 21, 1992;—Am. 2002, Act 436, Imd. Eff. June 10, 2002.

### **331.72a Bond reserve fund; creation; payment into fund; funding; discretion of authority;**

#### **uses.**

Sec. 42a. (1) Except as otherwise provided in this act, an authority shall create and establish a special fund or funds to secure the notes and bonds or any issue of the notes or bonds, referred to as a bond reserve fund, and may pay into the bond reserve fund any proceeds of sale of notes or bonds or any issue of the notes or bonds to the extent provided in the resolution of the authority authorizing the issuance of the notes or bonds and any other money that may be made available to the authority for the purpose of the fund from any other source or sources.

(2) An authority may determine to fund a bond reserve account with cash, securities, a letter of credit, bond insurance, or any combination of cash, securities, a letter of credit, or bond insurance. An authority may in its sole discretion determine not to have a reserve fund for an issue of notes or bonds that are not general obligations of the authority if, at the time of issuance of the notes or bonds, the notes or bonds are any of the following:

- (a) Sold by the authority in denominations of at least \$100,000.00.
- (b) Rated by a national bond rating service in 1 of its 3 highest major rating categories.
- (c) Insured by a bond insurance company acceptable to the authority.
- (d) Secured by a letter of credit acceptable to the authority issued by a financial institution.
- (e) Secured by the guarantee of an entity that the authority determines is capable of paying the principal of and interest on the bonds or notes if the borrowing hospital should default on the loan.
- (f) Secured by collateral acceptable to the authority.

(3) All money held in any bond reserve fund and any income or interest earned by, or increment to, the bond reserve fund due to the investment or reinvestment of the bond reserve fund may be used for the purposes the authority determines in the resolution authorizing the notes or bonds.

**History:** Add. 1992, Act 302, Imd. Eff. Dec. 21, 1992.

#### **331.73 Pledges and liens; validity; recording.**

Sec. 43. Any pledge made by an authority shall be valid and binding from the time the pledge is made. The moneys or property so pledged and thereafter received by the authority shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act. The lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the authority, irrespective of whether such parties have notice thereof. Neither the resolution nor any other instrument by which a pledge is created need be recorded.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

#### **331.73a Refunding bonds; issuance; purposes.**

Sec. 43a. (1) Refunding bonds of an authority created or incorporated under this act, issued pursuant to section 14(2) or 32, may be issued in 1 or more series, to refund any series of bonds or notes, in whole or in part, issued by that authority, issued by any other authority created or incorporated under this act, or issued for the benefit of a hospital by an economic development corporation incorporated pursuant to the economic development corporations act, Act No. 338 of the Public Acts of 1974, being sections 125.1601 to 125.1636, or in the case of the state authority by an entity for the benefit of a hospital, whether the bonds to be refunded have or have not matured, are or are not redeemable on the date of the issuance of the refunding bonds, or are or are not subject to redemption prior to maturity. The bonds may be issued partly to refund bonds and partly for any other purpose authorized by this act. Refunding bonds shall not be issued to refund bonds that do not mature or will not be redeemed pursuant to the plan of refunding within 40 years after the date of issuance of the refunding bonds. The refunding bonds may be issued in a principal amount greater than the principal amount of the bonds to be refunded, as may be necessary to effect the refunding pursuant to the plan of refunding. Refunding bonds shall not be issued unless the authority issuing the bonds is reasonably satisfied that the hospital facility and other revenues pledged will produce sufficient revenues to meet the principal and interest on the refunding bonds, other costs, expenses, and charges in connection with the issuance of the refunding bonds, and the charges or obligations of the hospital which may be prior to or equal to the refunding bonds promptly as they become due; and that the hospital is otherwise soundly financed.

(2) Refunding bonds may be issued for any 1 or more of the following purposes:

(a) To reduce debt service costs on the basis of the total amount of debt service to be paid on the refunding bonds as compared with the total amount of debt service that would be required to be paid on the bonds to be refunded should the refunding not occur.

(b) To reduce debt service costs on the basis of the present value of debt service to be paid on the refunding bonds as compared with the present value of debt service that would be required to be paid on the bonds to be refunded should the refunding not occur.

(c) To produce a repayment schedule on the refunding bonds more favorable to the hospital than the repayment schedule on the bonds to be refunded.

(d) To eliminate restrictions or requirements determined by the authority to be excessively burdensome to the hospital.

**History:** Add. 1978, Act 277, Imd. Eff. July 3, 1978;—Am. 1992, Act 302, Imd. Eff. Dec. 21, 1992;—Am. 1994, Act 428, Imd. Eff. Jan. 6, 1995.

### **331.73b Refunding bonds; resolution; plan of refunding; determination; designation of bonds.**

Sec. 43b. Before issuing refunding bonds, the authority issuing the bonds shall adopt a resolution setting forth the determination of that authority that the refunding is necessary to accomplish the purposes and objectives of this act and adopting a plan of refunding, setting forth the purpose of the refunding and the schedule on which, and the sources from which, the principal, interest, and redemption premiums, if any, on the bonds to be refunded, and the refunding bonds will be paid. Pursuant to the refunding plan, the bonds to be refunded may be called for redemption before maturity on the first possible date, or may be allowed to remain outstanding beyond the first possible date of redemption, either to a later redemption date or to maturity. The determination of the authority issuing the bonds as to the expediency of refunding, for the purposes set forth in the refunding plan, shall be conclusive, except with respect to the approval of the municipal finance commission or its successor agency when prior approval is required. The bonds of any series of refunding bonds issued pursuant to this act shall bear a distinctive designation clearly indicating that those bonds are refunding bonds.

**History:** Add. 1978, Act 277, Imd. Eff. July 3, 1978;—Am. 1983, Act 48, Imd. Eff. May 16, 1983.

### **331.73c Refunding bonds issued by state authority; payment of principal, interest, and redemption premiums; sources; loan agreement.**

Sec. 43c. (1) The principal of, and interest and redemption premiums, if any, on refunding bonds issued by the state authority pursuant to section 14(2) shall be payable from 1 or more of the following sources:

(a) Proceeds of the repayment of the loan described in subsection (2) and any investment earnings or profits on those proceeds.

(b) Proceeds of the refunding bonds.

(c) Investment earnings or profits on the proceeds of the refunding bonds.

(d) Any other properties, revenues, or moneys of the state authority, as provided in the resolution authorizing the issuance of the refunding bonds, and any investment earnings or profits on those properties, revenues, or moneys, subject only to an agreement with the holders of particular notes or bonds pledging particular properties, revenues, or moneys.

(2) The state authority shall enter into a loan agreement, or a supplement or amendment to an existing loan agreement, with the hospital whose facilities were financed or refinanced by the proceeds of the bonds to be refunded, or with the hospital's successors, with respect to the loan from the authority to the hospital arising from the issuance of the refunding bonds.

**History:** Add. 1978, Act 277, Imd. Eff. July 3, 1978.

### **331.73d Refunding bonds; nonliability of state; statement.**

Sec. 43d. The state shall not be liable on the refunding bonds of the state authority, and the bonds shall not be a debt of the state. Each bond shall contain on its face a statement to that effect. The state shall not be or become liable for a debt evidenced by the bonds or notes to be refunded as a result of the issuance of the refunding bonds.

**History:** Add. 1978, Act 277, Imd. Eff. July 3, 1978.

### **331.73e Refunding bonds issued by local authority; payment of principal, interest, and redemption premiums; sources; loan agreement; bond, coupon, or indebtedness not general obligation or debt.**

Sec. 43e. (1) The principal of, and interest and redemption premiums, if any, on refunding bonds issued by a local authority pursuant to section 32 shall be payable from 1 or more of the following sources:

(a) The net revenues derived from the hospital facilities financed or refinanced from the proceeds of the bonds to be refunded and any investment earnings or profits on those revenues.

(b) Proceeds of the repayment of the loan described in subsection (2) and any investment earnings or profits on those proceeds.

(c) Proceeds of the refunding bonds.

(d) Investment earnings or profits on the proceeds of the refunding bonds.

(e) Gifts or grants, or amounts derived from disposition of hospital facilities, mortgaged or otherwise pledged as security for the payment of the refunding bonds, or investment earnings or profits on those gifts, grants, or amounts.

(2) If there arises from the issuance of the refunding bonds a loan from the local authority to the hospital whose facilities were financed or refinanced by the proceeds of the bonds to be refunded, or its successors, the local authority shall enter into a loan agreement, or a supplement or amendment to an existing loan agreement, with the hospital with respect to the loan. A bond or coupon issued pursuant to this section shall not be a general obligation of, nor constitute a debt of, the local authority or any of the incorporating units within the meaning of any constitutional, charter, or statutory limitation. An indebtedness evidenced by the bonds or notes to be refunded shall not be or become, as a result of the issuance of the refunding bonds, a general obligation of, nor constitute a debt of, the local authority or any of the incorporating units within the meaning of any constitutional, charter, or statutory limitation.

**History:** Add. 1978, Act 277, Imd. Eff. July 3, 1978.

### **331.73f Use of proceeds of refunding bonds and of earnings or profits on proceeds; resolution.**

Sec. 43f. (1) Except as provided in subsection (2), the proceeds of the refunding bonds issued pursuant to section 14(2) or 32 and the investment earnings or profits on those proceeds may be used to pay all or any part of any 1 or more of the following:

(a) Principal of the bonds to be refunded, upon their maturity or earlier redemption.

(b) Interest accruing on the bonds to be refunded from the interest payment date last preceding the issuance of the refunding bonds, to the date the bonds to be refunded are paid, at maturity or earlier redemption.

(c) Redemption premiums, if any, on the bonds to be refunded, and the cost of redemption or payment of the bonds to be refunded.

(d) Incidental costs of the issuance of the refunding bonds.

(e) The funding of a reasonable reserve fund for the refunding bonds, in an amount established by the resolution authorizing the sale of the refunding bonds.

(f) Principal of, and interest and redemption premiums, if any, on any or all series of the refunding bonds.

(2) The resolution or other documents pursuant to which the refunding bonds are issued may provide that investment earnings or profits on the proceeds of the refunding bonds may be paid or rebated to the hospital whose facilities were financed or refinanced by the proceeds of the bonds to be refunded, or to the hospital's successors.

**History:** Add. 1978, Act 277, Imd. Eff. July 3, 1978;—Am. 1992, Act 302, Imd. Eff. Dec. 21, 1992.

### **331.73g State treasurer or financial institution as trustee for proceeds of refunding bonds, other funds, and investment earnings and profits; purposes; trust agreement; investment of proceeds; defeasance.**

Sec. 43g. (1) To provide for the protection of the rights of the holders of the bonds to be refunded and the refunding bonds, the proceeds of refunding bonds and any other funds set aside for refunding purposes, and the investment earnings and profits from the proceeds or funds, to the extent required to be held for future retirement of the bonds to be refunded, or the refunding bonds, or for payment of interest or call premiums on those bonds, or for refunding expenses pertaining to the bonds, shall be held in trust by the state treasurer or by a financial institution qualified to serve as trustee pursuant to a trust agreement entered into between the authority issuing the refunding bonds and the state treasurer or the financial institution providing for the investment and disposition of the funds.

(2) Before the use of the proceeds of the refunding bonds for the purposes set forth in subsection (1), the proceeds of the refunding bonds may be invested pursuant to the trust agreement in direct obligations of the United States, in obligations in which the principal and interest are guaranteed by the United States, or, if refunding bonds are issued by the state authority, in any other investments as determined by the state authority pursuant to the contract with the holders of the refunding bonds with the approval of the state treasurer. If the instrument by which the bonds or notes to be refunded are secured is to be defeased on the date of the issuance of the refunding bonds, then the proceeds of the refunding bonds shall be deposited and invested in accordance with the defeasance requirements of that instrument.

**History:** Add. 1978, Act 277, Imd. Eff. July 3, 1978;—Am. 1992, Act 302, Imd. Eff. Dec. 21, 1992.

### **331.74 Authority members; persons executing notes or bonds; personal liability.**

Sec. 44. Neither the members of any authority nor any person executing the notes or bonds shall be liable

personally on the notes or bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

### **331.75 Bond or note holders; vested rights, impairment.**

Sec. 45. The state pledges and agrees with the holders of any notes or bonds issued under this act, that the state will not limit or alter the rights vested in any authority to fulfill the terms of any agreements made with the holders thereof, or in any way impair the rights and remedies of the holders until the notes or bonds, together with the interest thereon, with interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. Any authority is authorized to include this pledge and agreement of the state in any agreement with the holders of such notes or bonds.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

### **331.76 Repealed. 2002, Act 436, Imd. Eff. June 10, 2002.**

**Compiler's note:** The repealed section pertained to issuance of bonds or notes.

### **331.77 Certificate of need required; exception.**

Sec. 47. Before a state or local authority adopts a resolution authorizing the issuance of bonds or notes and as a condition precedent to the authority to issue the bonds or notes, a certificate of need shall be obtained pursuant to Act No. 256 of the Public Acts of 1972, as amended, being sections 331.451 to 331.462 of the Michigan Compiled Laws, or a determination shall be secured from the agency issuing the certificate of need that a certificate is not necessary for the project. This section shall not apply to refinancing of present indebtedness or to refunding or advance refunding of bonds or notes; provided, however, that prior to the issuance of bonds pursuant to section 14(2) or section 32, entirely for the purpose of refunding or advance refunding bonds of any authority created or incorporated under this act, and prior to the issuance of bonds pursuant to section 12(d) or sections 27(b) or 28, entirely for the purpose of refinancing indebtedness of a hospital, the authority issuing the bonds shall determine that the issuance of the bonds is not inconsistent with a hospital bed reduction plan, if such a plan has been developed and is applicable to the hospital facilities in connection with which the bonds are issued, which is part of the state medical facilities plan approved by the statewide health coordinating council, and the determination of the authority issuing the bonds shall be conclusive.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1970, Act 142, Imd. Eff. Aug. 1, 1970;—Am. 1974, Act 137, Imd. Eff. June 5, 1974;—Am. 1978, Act 277, Imd. Eff. July 3, 1978.

### **331.77a Bonds to refinance indebtedness or refund obligations as to facilities located outside state; determination.**

Sec. 47a. An authority may issue bonds pursuant to this act to refinance indebtedness issued or incurred by a hospital with respect to hospital facilities located outside the state, or to refund or refund in advance obligations issued by the state authority, a local authority, or any other issuer with respect to hospital facilities located outside the state, if the authority issuing the bonds determines that their issuance will enable the hospital to provide or maintain at reasonable cost pursuant to reasonable terms, facilities, structures, and services within the state, or is otherwise necessary in order to realize the objectives and purposes of this act. The determination of the authority shall be conclusive except with respect to the approval of the municipal finance commission or its successor agency when prior approval is required.

**History:** Add. 1978, Act 277, Imd. Eff. July 3, 1978;—Am. 1983, Act 48, Imd. Eff. May 16, 1983.

### **331.77b Resolution authorizing issuance of bonds or notes; determination and consideration of conditions.**

Sec. 47b. In addition to the other requirements of this act, before a state or local authority adopts a resolution authorizing the issuance of bonds or notes and as a condition precedent for the authority to issue the bonds or notes to finance project costs for nursing homes, the state or local authority shall attempt to determine and consider all of the following:

- (a) Whether the nursing home has a ban on admissions to that nursing home.
- (b) Whether the nursing home is medicaid certified.

**History:** Add. 1994, Act 428, Imd. Eff. Jan. 6, 1995.

### **331.78 Bonds or notes; negotiability.**

Sec. 48. Whether or not the notes or bonds are of such form or character as to be negotiable instruments

under the uniform commercial code, the notes or bonds authorized to be issued by this act are negotiable instruments within the meaning of and for all the purposes of the uniform commercial code, subject only to the provisions of the notes or bonds for registration.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

### **331.79 Bonds and notes; legal investments.**

Sec. 49. The notes and bonds of any authority are securities in which all public officers and bodies of this state and all municipalities and municipal subdivisions, all insurance companies and associations, and other persons carrying on an insurance business, all banks, trust companies, savings banks and savings associations, savings and loan associations, investment companies, all administrators, guardians, executors, trustees and other fiduciaries and all other persons whatsoever who are authorized to invest in bonds or other obligations of the state, may properly and legally invest funds, including capital, in their control or belonging to them.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

### **331.80 Tax exemption.**

Sec. 50. The property of any authority and its income and operation is exempt from all taxation.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

### **331.81 Bonds and notes; tax exemption, exception.**

Sec. 51. The state covenants with the purchasers and all subsequent holders and transferees of notes and bonds issued pursuant to this act, in consideration of the acceptance of and payment for the notes and bonds, that the notes and bonds issued pursuant to this act and the income therefrom and all its fees, charges, gifts, grants, revenues, receipts, and other moneys received or to be received, pledged to pay or secure the payment of such notes or bonds at all times shall be free and exempt from all state, city, county or other taxation provided by the laws of the state, except for estate, inheritance and gift taxes and taxes on transfers.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

### **331.82 Nondiscrimination provision.**

Sec. 52. The authority shall require that use of hospital facilities assisted under this act shall be open to all regardless of race, religion, sex, or creed and that contractors and subcontractors engaged in the construction or alteration of hospital facilities assisted under this act shall provide an equal opportunity for employment, without discrimination as to race, religion, sex, or creed. The hospital to which any hospital loan is made shall covenant with the authority that the nondiscrimination provision shall be enforced.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1983, Act 206, Imd. Eff. Nov. 10, 1983.

### **331.83 Construction of act as to powers conferred; purpose and intention.**

Sec. 53. This act shall be construed as granting cumulative authority for the exercise of the various powers herein conferred, and neither the powers nor any bonds or notes issued hereunder shall be affected or limited by any other statutory or charter provision now or hereafter in force, other than as may be provided in this act, it being the purpose and intention of this act to create full, separate and complete additional powers. The various powers conferred herein may be exercised independently and notwithstanding that no bonds are issued hereunder.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.

### **331.84 Declaration of necessity; liberal construction.**

Sec. 54. This act, being necessary for and to secure the public health, safety, convenience and welfare of the citizens of the state, shall be liberally construed to effect the public purposes hereof.

**History:** 1969, Act 38, Imd. Eff. July 14, 1969.



## HOSPITALS AND SANATORIA Act 139 of 1909

AN ACT relative to the maintenance and construction of hospitals and sanatoria within the counties of this state and to provide a tax to raise moneys therefor.

**History:** 1909, Act 139, Eff. Sept. 1, 1909.

*The People of the State of Michigan enact:*

### **331.101 County taxation in aid of hospitals; power of supervisors.**

Sec. 1. The several boards of county supervisors of this state may raise by a tax to be levied on the property of said county, subject to taxation for county purposes, a sum of money to be used for constructing or maintaining or assisting to construct or maintain any hospital or sanitarium within said county. The said board of supervisors shall designate the hospital or sanitarium for which the moneys so raised are to be used: Provided, That any county not having within its boundary a hospital or sanitarium or any county though having a hospital or sanitarium within its boundary wishing to act in conjunction with any other county or counties for the purposes herein provided, may, in the judgment of the board of supervisors, use said moneys so raised in such combined undertaking of said several counties.

**History:** 1909, Act 139, Eff. Sept. 1, 1909;—CL 1915, 10854;—CL 1929, 7058;—CL 1948, 331.101.

### **331.102 County taxation; apportionment, collection, limit.**

Sec. 2. The tax provided for herein shall be apportioned and collected as other taxes for county purposes. Said tax shall not exceed 2/10 of 1 mill on each dollar of assessed valuation of said county, unless the same shall have been submitted to a vote of the qualified electors of such county: Provided, That in counties having a population of 25,000 or more it shall be lawful to assess and levy a tax of not to exceed 1 mill on each dollar of assessed valuation of said county for a period of not exceeding 2 years for the purpose of constructing or assisting to construct a hospital or sanitarium within said county.

**History:** 1909, Act 139, Eff. Sept. 1, 1909;—Am. 1915, Act 74, Imd. Eff. Apr. 21, 1915;—CL 1915, 10855;—Am. 1917, Act 237, Eff. Aug. 10, 1917;—Am. 1919, Act 31, Eff. Aug. 14, 1919;—CL 1929, 7059;—CL 1948, 331.102.

### **331.103 County taxation; payment to institution, expenditures.**

Sec. 3. When the tax herein provided for shall be collected it shall be paid to the institution for which the same is raised, upon the warrant of the president and secretary thereof from time to time as vouchers are presented, and shall be expended by said board for the use of said institution within the limits prescribed by this act.

**History:** 1909, Act 139, Eff. Sept. 1, 1909;—CL 1915, 10856;—CL 1929, 7060;—CL 1948, 331.103.

### **331.104 Sanatorium trustees; annual report to county supervisors, contents.**

Sec. 4. It shall be the duty of the trustees or other officers of any hospital or sanitarium receiving any such assistance, to report once a year to the board of supervisors of the county granting such assistance. Such report shall set forth in detail the number of the patients cared for during the year, the average cost per person, the amount of money received from all sources, the amount of money expended and to whom paid, and a tabulated statement of the number of persons admitted, the disease, or other cause of their admission, and the disposition made of each case, which said report shall be included and made a part of the record of said board of supervisors.

**History:** 1909, Act 139, Eff. Sept. 1, 1909;—CL 1915, 10857;—CL 1929, 7061;—CL 1948, 331.104.

### **331.105 Sanatorium; placement on approved list; report; certificate; state aid.**

Sec. 5. A sanatorium established under the provisions of this act solely for the treatment of tuberculosis that has expended at least \$10,000.00 in buildings and equipment, may, upon application to the department of community health, be placed upon the approved list of county sanatoriums. Once a sanatorium is entered upon the approved list, the sanatorium may remain listed and be entitled to state aid so long as the scope and character of its work are maintained in a manner that meets the approval of the department of community health. On the first day of July of each year the secretary of the board of the sanatorium on the approved list, shall report under oath to the department of community health, the character of the work done and the treatment given, the number and names of the persons employed and patients treated and on that date remaining in the sanatorium, the amount contributed by the county or counties for the support of the sanatorium, and such other matters as may be required by the department of community health. Upon the

receipt of the report, if it appears that the sanatorium has been maintained in a satisfactory manner, the director of the department of community health shall make a certificate to that effect, together with the cost of maintenance for the year and the amount actually contributed by each county, and file it with the state treasurer. Upon receiving the certificate the state treasurer shall draw his or her warrant payable to the treasurer of each county contributing toward the maintenance of the sanatorium, for a sum equal to 1/2 the amount actually contributed by that county for the support of the sanatorium for the preceding year. However, the total sum paid as state aid shall not exceed the sum of \$3,000.00 for any 1 sanatorium in any 1 year.

**History:** Add. 1917, Act 237, Eff. Aug. 10, 1917;—CL 1929, 7062;—CL 1948, 331.105;—Am. 2002, Act 145, Imd. Eff. Apr. 2, 2002.

**PUBLIC HOSPITALS**  
**Act 350 of 1913**

AN ACT to enable counties to establish and maintain public hospitals, levy a tax and issue bonds therefor, borrow money and issue bonds and notes therefor, elect hospital trustees, maintain training schools for nurses, maintain nursing home facilities, provide suitable means for the care of tuberculous persons, and to make possible the ultimate establishment of an adequate supply of hospitals.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—Am. 1933, Act 219, Eff. Oct. 17, 1933;—Am. 1964, Act 242, Eff. Aug. 28, 1964.

*The People of the State of Michigan enact:*

**331.151 County public hospital; contagious diseases; establishment, referendum.**

Sec. 1. Any county board of supervisors may establish a public hospital when approved by the electors of the county. The hospital, when established, shall offer among its services the treatment of contagious and infectious diseases. The question of establishing a hospital shall be presented to the county electors at a special or regular county election. The election proceedings hereunder shall be conducted in accordance with Act No. 116 of the Public Acts of 1954, as amended, being sections 168.1 to 168.992 of the Compiled Laws of 1948.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10858;—Am. 1917, Act 231, Eff. Aug. 10, 1917;—Am. 1923, Act 198, Eff. Aug. 30, 1923;—CL 1929, 7063;—CL 1948, 331.151;—Am. 1960, Act 43, Imd. Eff. Apr. 19, 1960.

**331.151a Repealed. 1960, Act 43, Imd. Eff. Apr. 19, 1960.**

**Compiler's note:** The repealed section pertained to county hospitals and sanatoria and provided for exercise of powers in absence of bond issue.

**331.152 Referendum; election procedure, ballots.**

Sec. 2. Said election shall be held at the usual places in such county for the election of county officers, the vote to be canvassed in the same manner as that for county officers. The ballots to be used at any election at which the said question is submitted shall be printed with a statement substantially as follows:

Shall the county of ..... establish a county hospital in accordance with the terms of Act No. 350 of the Public Acts of 1913, as amended?

Yes [ ] No [ ]

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10859;—CL 1929, 7064;—CL 1948, 331.152;—Am. 1960, Act 43, Imd. Eff. Apr. 19, 1960.

**331.153 Board of trustees; appointment; number of trustees; qualifications; terms.**

Sec. 3. If a majority of all the votes cast upon the question are in favor of establishing a county public hospital, the board of commissioners shall proceed at once to appoint 9 trustees chosen from the citizens at large of the county with reference to their fitness to such office, 1 of whom shall be the chief executive officer of the hospital and not more than 3 of whom may be licensed physicians, who shall constitute a board of trustees for the public hospital. The trustees shall hold their offices until the end of the next following calendar year. In September, prior to the expiration of their terms of office, the board of trustees shall submit to the board of commissioners the names of not more than 2 qualified candidates for each appointment or reappointment. The board of commissioners, at its October meeting, shall appoint for terms commencing next January 1, 3 trustees for 2 years, 3 trustees for 4 years and 3 trustees for 6 years. As terms expire thereafter appointments shall be made for 6 years in the same manner. Appointments to unexpired terms shall be made in the same manner. All appointments and reappointments shall meet general eligibility qualifications hereinbefore stated.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10860;—Am. 1917, Act 231, Eff. Aug. 10, 1917;—CL 1929, 7065;—CL 1948, 331.153;—Am. 1963, Act 81, Eff. Sept. 6, 1963;—Am. 1971, Act 167, Imd. Eff. Nov. 30, 1971.

**331.154 Board of trustees; oath; organization; officers; compensation; powers and duties; money; legal advisor; meetings; record; quorum; pecuniary interest; board as body corporate; suits.**

Sec. 4. (1) The trustees shall within 10 days after their appointment qualify by taking the oath of civil officers, and organize as a board of hospital trustees by electing 1 of the trustees as chairperson, 1 as secretary, and any other officer as the board considers necessary, but no bond is required of a trustee. The county treasurer of the county in which the hospital is located is the treasurer of the board of hospital trustees.

The treasurer shall receive and pay out all the money under the control of the board as ordered by the board, but the treasurer shall not receive compensation from the board. Each trustee may receive compensation as established by the county board of commissioners for the trustee's services in attending meetings of the board, and not to exceed 10 cents per mile for each mile necessarily traveled in going to and returning from the place of meeting each day the board is in session, when the rate of compensation and mileage as provided in this section is approved by the county board of commissioners. Each trustee may receive reimbursement for any other necessary expenses as are allowed by the county board of commissioners.

(2) The board of hospital trustees shall make and adopt bylaws and rules for its own guidance and for the government of the hospital as considered expedient for the economic and equitable conduct thereof not inconsistent with this act, and the ordinances of the city or town in which the public hospital is located.

(3) The board of hospital trustees shall have the exclusive control of the expenditure of all money collected to the credit of the hospital fund, and of the purchase of sites, the purchase or construction of any hospital building, and of the supervision, care, and custody of the grounds, rooms, or buildings purchased, constructed, leased, or set apart for that purpose. All money received for the hospital must be deposited in the treasury of the county to the credit of the hospital fund, and paid out only upon warrants drawn by the auditor of the county or by the county clerk in counties not having a county auditor upon the properly authenticated vouchers of the hospital board.

(4) The board of hospital trustees shall appoint a chief executive officer, who is the board's direct representative in the management of the hospital. The board of hospital trustees may appoint an attorney to serve as its legal advisor.

(5) The board shall in general carry out the spirit and intent of this act in establishing and maintaining a public county hospital with equal rights to all and privileges to none. The board of hospital trustees shall hold meetings at least once each month and keep a complete record of all its proceedings. Four members of the board constitute a quorum for the transaction of business of the board. One of the trustees shall visit and examine the hospital at least twice each month and the board shall, no later than the first week in October of each year, file with the county board of commissioners a report of its proceedings with reference to the hospital, and a statement of all receipts and expenditures during the year; and shall at such times certify the amount necessary to maintain and improve the hospital for the ensuing year.

(6) A trustee shall not have a personal pecuniary interest either directly or indirectly in the purchase of any supplies, equipment, and other materials of a cost more than \$500.00 per year for the hospital, unless the supplies, equipment, and other materials are purchased by competitive bidding.

(7) Each board constitutes a body corporate and may sue and be sued.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10861;—Am. 1923, Act 11, Imd. Eff. Mar. 28, 1923;—CL 1929, 7066;—Am. 1933, Act 219, Eff. Oct. 17, 1933;—Am. 1945, Act 251, Eff. Sept. 6, 1945;—CL 1948, 331.54;—Am. 1961, Act 68, Eff. Sept. 8, 1961;—Am. 1971, Act 167, Imd. Eff. Nov. 30, 1971;—Am. 2018, Act 314, Imd. Eff. June 29, 2018.

**Compiler's note:** For provisions of section 9 of Act 177 of 1925, referred to in this section, see MCL 332.159.

### **331.154a Board of trustees; employee retirement or pension plan.**

Sec. 4a. The board of trustees may allow its employees to become members of a retirement or pension plan of the county where the hospital is located or it may establish its own retirement or pension plan for its employees. Before a plan established by the board of trustees shall become effective or operative, it shall be approved by the county pension plan committee created by section 12a of Act No. 156 of the Public Acts of 1851, as amended, being section 46.12a of the Compiled Laws of 1948.

**History:** Add. 1971, Act 29, Imd. Eff. May 22, 1971.

### **331.155 Repealed. 1971, Act 167, Imd. Eff. Nov. 30, 1971.**

**Compiler's note:** The repealed section pertained to vacancies in the board of trustees.

### **331.156 Board of trustees; bond issuance, referendum.**

Sec. 6. If the board of supervisors determines that the establishment, equipping and construction of such hospital and the purchase of land therefor must be financed through the issuance of bonds, then such bonds shall be issued in accordance with Act No. 118 of the Public Acts of 1923, as amended, being sections 141.61 to 141.66 of the Compiled Laws of 1948. The bonding proposal may be presented at the election authorized under sections 1 and 2 of this act.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10863;—CL 1929, 7068;—CL 1948, 331.156;—Am. 1960, Act 43, Imd. Eff. Apr. 19, 1960.

### **331.158 State board of health; approval of building plans; bids, advertisement.**

Sec. 8. No hospital building shall be erected or constructed under the plans and specifications made therefor and adopted by the board of hospital trustees, until approved by the state board of health, and bids advertised for according to law for other county public buildings.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10864;—CL 1929, 7069;—CL 1948, 331.158.

**Compiler's note:** The state board of health, referred to in this section, was abolished and its powers and duties transferred to the state health commissioner by MCL 325.4.

### **331.159 Annual appropriation.**

Sec. 9. In counties exercising the rights conferred by this act the board of supervisors may appropriate each year in addition to tax for the original hospital construction, equipping and site a sum not exceeding 5% of its general fund for the improvement and maintenance of any public hospital so established.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10865;—CL 1929, 7070;—CL 1948, 331.159;—Am. 1960, Act 43, Imd. Eff. Apr. 19, 1960.

### **331.160 County hospital; admission, payment of compensation, regulations, nonresidents.**

Sec. 10. Every hospital established under this act shall be for the benefit of the inhabitants of such county and of any person falling sick or being injured or maimed within its limits; but every such inhabitant or person who is not a pauper shall pay to such board of hospital trustees or such officer as it shall designate for such county public hospital, a reasonable compensation for occupancy, nursing, care, medicine, or attendants, according to the rules and regulations prescribed by said board, such hospital always being subject to such reasonable rules and regulations as said board may adopt in order to render the use of said hospital of the greatest benefit to the greatest number; and said board may exclude from the use of such hospital any and all inhabitants and persons who shall wilfully violate such rules and regulations. And said board may extend the privileges and use of such hospital to persons residing outside of such county, upon such terms and conditions as said board may from time to time by its rules and regulations prescribe.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10866;—CL 1929, 7071;—CL 1948, 331.160.

### **331.161 Board of trustees; hospital operation rules, records, denial of privileges to physicians.**

Sec. 11. When such hospital is established, the physicians, nurses, attendants, the persons sick therein and all persons approaching or coming within the limits of same, and all furniture and other articles used or brought there shall be subject to such rules, regulations and policies as said board, with the advice of the medical staff, may prescribe governing the operation of the hospital and the professional work, surgical privileges, conduct and maintenance of proper medical records of and by the physicians and surgeons using said hospital facilities. The board of trustees of the hospital may deny hospital privileges and facilities to any physician or surgeon who violates any of the provisions of this act or any rules, regulations or policies adopted under the provisions of this act.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10867;—CL 1929, 7072;—CL 1948, 331.161;—Am. 1958, Act 105, Eff. Sept. 13, 1958.

### **331.162 Board of trustees; acceptance of donations.**

Sec. 12. Any person, or persons, firm, organization, corporation or society desiring to make donations of money, personal property or real estate for the benefit of such hospital, shall have the right to vest title of the money or real estate so donated in said county, to be controlled, when accepted by the board of hospital trustees according to the terms of the deed, gift, devise or bequest of such property.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10868;—CL 1929, 7073;—CL 1948, 331.162.

### **331.163 County hospitals; physician's right to treat patients, right to employ physicians or nurse.**

Sec. 13. All physicians and surgeons licensed under the laws of Michigan shall have the privilege of treating patients in the hospital, subject always to such rules and regulations as shall be established by the board of trustees under the provisions of this act. The patient shall have the right to employ at his own expense his own physician or nurse, and when acting for any patient in such hospital the physician employed by the patient shall have charge of the care and treatment of such patient.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10869;—CL 1929, 7074;—CL 1948, 331.163;—Am. 1958, Act 105, Eff. Sept. 13, 1958.

### **331.164 Nurses' training school; establishment.**

Sec. 14. The board of trustees of such county public hospital may establish and maintain in connection

therewith and as a part of said public hospital, a training school for nurses.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10870;—CL 1929, 7075;—CL 1948, 331.164.

### **331.164a Nursing home facilities; establishment.**

Sec. 14a. Any public hospital established under this act may establish and maintain nursing home facilities as an integral part of its hospital operations.

**History:** Add. 1964, Act 242, Eff. Aug. 28, 1964.

### **331.165 Insanity; examination room.**

Sec. 15. The said board of trustees shall at all times provide a suitable room for the detention and examination of all persons who are brought before the commissioners of insanity for such county: Provided, That such public hospital is located at the county seat.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10871;—CL 1929, 7076;—CL 1948, 331.165.

### **331.166 Tubercular patients; accommodations, rules, head nurse.**

Sec. 16. The board of trustees of said hospital is hereby authorized to provide, as a department of said public hospital but not necessarily attached thereto, suitable accommodations and means for the care and treatment of persons suffering from tuberculosis, and to formulate such rules and regulations for the government of said persons, and for the protection from infection of other patients and nurses and attendants in such public hospital as it may deem necessary. And it shall be the duty of all persons in charge of or employed at such hospitals, or residents thereof to faithfully obey and comply with any and all rules and regulations. Said board of hospital trustees shall, if practicable, employ as head nurse to be placed in charge of said public tuberculosis sanatorium one who has had experience in the management and care of tuberculous persons.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10872;—CL 1929, 7077;—CL 1948, 331.166.

### **331.167 Charity patients; determination; compensation for care.**

Sec. 17. The board of hospital trustees shall have power to determine whether or not patients presented at said public hospital for treatment are subjects for charity, and shall fix such compensation for care of patients other than those unable to assist themselves, as the said board may deem proper, the receipts therefor to be paid to the treasurer of said county and credited by him to the hospital fund.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10873;—CL 1929, 7078;—CL 1948, 331.167.

### **331.168 Indigent tubercular patients; contracts for care.**

Sec. 18. The board of supervisors of any county where no suitable provision has been made for the care of its indigent tuberculous residents, may contract with the board of hospital trustees of any public hospital for the care of such persons in the sanatorium department of said hospital upon such reasonable terms as may be agreed upon.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10874;—CL 1929, 7079;—CL 1948, 331.168.

### **331.169 Dependent children; accommodations and care.**

Sec. 19. The board of trustees of said hospital is hereby authorized to provide or establish as a department of said hospital, but not attached thereto, suitable accommodations and means for the care of dependent children. And said department shall be under the care and supervision of the trustees aforesaid of the county hospital in like manner as heretofore described in connection therewith.

**History:** 1913, Act 350, Eff. Aug. 14, 1913;—CL 1915, 10875;—CL 1929, 7080;—CL 1948, 331.169.

## HOSPITALS AND SANATORIA Act 109 of 1945

AN ACT to protect and promote the public health and welfare and to enable boards of supervisors of certain counties to acquire, own, construct, establish, maintain and operate hospitals, county general hospitals, sanatoria and other institutions for the treatment of persons suffering from contagious and infectious diseases and for the treatment of indigent persons suffering from any physical ailment or impairment, and for temporary detention of mentally ill patients, both non-indigent and indigent, to authorize emergency treatment for emergency cases, to levy a tax therefor, appoint hospital trustees, authorize operation of hospitals by boards of county institutions, provide suitable means for the care of such afflicted persons, to limit the liability of counties maintaining such hospitals in respect to such cases, and to repeal acts inconsistent herewith.

**History:** 1945, Act 109, Imd. Eff. Apr. 19, 1945;—Am. 1955, Act 55, Imd. Eff. May 10, 1955;—Am. 1956, Act 168, Imd. Eff. Apr. 16, 1956.

*The People of the State of Michigan enact:*

### **331.201 Hospitals; definition.**

Sec. 1. The term "hospitals" as used in this act shall include hospitals, sanatoria and other institutions operated for the purposes mentioned in section 2 of this act.

**History:** 1945, Act 109, Imd. Eff. Apr. 19, 1945;—CL 1948, 331.201.

### **331.202 County hospitals for contagious diseases, indigent and mentally ill; board of supervisors, construction, appropriation.**

Sec. 2. Hereafter it shall be competent and lawful for the board of supervisors of any county in this state now or hereafter having a population of more than 100,000 as determined by the last federal decennial census or by any federal decennial census hereafter taken, to acquire, own, construct, establish, maintain and operate a hospital for the treatment of persons suffering from contagious and infectious diseases and for the treatment of indigent persons suffering from any physical ailment or impairment, and may contain a psychiatric ward for mentally ill patients, both non-indigent and indigent, provided that such a ward has been approved by the state department of mental health. Said board of supervisors, in the case of construction of such hospital, shall designate the site on which such hospital shall be placed. The board of supervisors shall also determine the sum or sums of money to be appropriated for the acquisition, ownership, construction, establishment, maintenance, operational and equipment purposes.

**History:** 1945, Act 109, Imd. Eff. Apr. 19, 1945;—CL 1948, 331.202;—Am. 1956, Act 168, Imd. Eff. Apr. 16, 1956.

### **331.203 County levy, hospitals; tax limitation, special fund.**

Sec. 3. The board of supervisors of any county coming within the provisions of section 2 of this act, is hereby authorized and empowered to raise by taxation necessary funds for the purpose of acquiring, owning, constructing, equipping, maintaining and operating a hospital for the treatment of contagious or infectious diseases and for the treatment of indigent persons suffering from any physical ailment or impairment, and for temporary detention of mentally ill patients, both non-indigent and indigent. In no case shall a tax for the original acquisition and construction exceed in any 1 year 1 mill on each dollar of the assessed valuation of said county. If deemed expedient by said board, moneys for acquisition or construction purposes hereunder may be raised by taxation during successive years, and said board of supervisors may also appropriate from any unexpended moneys in the general fund of the county for such purposes. All money raised by taxation within the county, and all moneys appropriated by said board of supervisors for such purposes, shall constitute a special fund for acquisition or construction and equipment of the hospital. Moneys raised by taxation or appropriated by the board of supervisors for acquisition or construction purposes, and subsequently found not to be needed therefor, may be used to defray the expenses of operation and maintenance.

**History:** 1945, Act 109, Imd. Eff. Apr. 19, 1945;—CL 1948, 331.203;—Am. 1956, Act 168, Imd. Eff. Apr. 16, 1956.

### **331.204 Board of trustees; appointment, terms, oath; cooperation with state health commissioner; management and control vested in board.**

Sec. 4. A board of trustees for the management of any hospital created hereunder shall be appointed by the board of supervisors of the county in which such hospital is to be acquired, maintained and operated. Said trustees shall be residents and freeholders of the county and may be members of the board of supervisors. Said

board shall consist of 5 members to be appointed for terms of 3 years each: Provided, That of the members first appointed 1 shall be appointed for a term of 3 years, 2 for terms of 2 years each, and 2 for terms of 1 year each. Thereafter, each trustee shall hold office for a period of 3 years beginning on the first day of January next ensuing and until a successor is appointed and qualified. Each such trustee shall file with the county clerk the constitutional oath of office. It shall be the duty of said board of trustees to cooperate and advise with the state health commissioner and with the board of supervisors of the county, or with any committee selected thereby, in the equipping of the hospital. As soon as such hospital or institution is completed and equipped, the management and control thereof shall vest in said board of trustees, subject to the provisions of this act and subject to any direction or resolution of the board of supervisors of the county or any committee of said board of supervisors selected for that purpose.

**History:** 1945, Act 109, Imd. Eff. Apr. 19, 1945;—CL 1948, 331.204.

### **331.205 Board of supervisors; advertising for bids and letting of contract.**

Sec. 5. Contracts for the acquisition or construction and the equipment of any hospital to be acquired, erected, operated and maintained under the provisions of this act shall be let by the board of supervisors of the county. In the case of construction, such work may be let as an entirety or in sections, whichever may be deemed most advantageous. In all cases where the cost of construction or the purchasing of equipment exceeds the sum of \$500.00, bids shall be advertised for in 1 or more newspapers published or circulated within the county concerned not less than 2 weeks prior to the date when bids are to be received. The board of supervisors may adopt reasonable rules and regulations concerning the manner of advertising for bids and the letting of contracts. In all cases the right to reject any and all bids presented shall be reserved. Each contract let hereunder shall provide, that the work shall be done or the material purchased subject to the approval of the board of supervisors of the county or by any committee of said board of supervisors selected for that purpose.

**History:** 1945, Act 109, Imd. Eff. Apr. 19, 1945;—CL 1948, 331.205.

### **331.206 Board of trustees; medical staff, employment, rules, qualification standards.**

Sec. 6. Subject to the provisions of this act each such board of trustees shall operate the hospital or institution under its charge and may employ, within appropriations made by the board of supervisors of the county, a medical superintendent, physicians, nurses, and such other employees as may be necessary. The medical staff of the hospital shall with the approval of the board of trustees adopt rules, regulations and policies governing the professional work of the hospital and the eligibility and qualifications of its medical staff, which may conform, as nearly as practicable, to the applicable standards recommended by the American College of Surgeons. Money to defray the expenses of maintenance and operation subject to audit as in section 8 provided shall be paid by the county treasurer having such funds in its custody on the warrant of the president of the board of trustees of the hospital, countersigned by the secretary.

**History:** 1945, Act 109, Imd. Eff. Apr. 19, 1945;—CL 1948, 331.206.

### **331.207 Contagious or infectious disease patients; admission upon certificate of county health officer; admission of indigents or others; regulations.**

Sec. 7. Any person afflicted with a contagious or infectious disease, for whose treatment and care the county maintaining such hospital or institution is responsible, shall be admitted to such hospital or institution upon the certificate of the health officer of such county.

Any indigent person suffering from any physical ailment or impairment for whose treatment and care the county maintaining such hospital or institution, or any township or city therein, is responsible, shall be admitted to such hospital or institution upon the order of the social welfare board of said county.

If the facilities of the hospital or institution will permit, the board of trustees, in its discretion, may accept other persons afflicted with contagious or infectious diseases and other indigent persons suffering from any physical ailment or impairment, and for temporary detention of mentally ill patients, both non-indigent and indigent, and upon such terms and conditions as may be fixed by the board of supervisors of the county.

The board of trustees may make regulations governing the conduct of patients and may exclude any person or persons wilfully violating such regulations.

**History:** 1945, Act 109, Imd. Eff. Apr. 19, 1945;—CL 1948, 331.207;—Am. 1956, Act 168, Imd. Eff. Apr. 16, 1956.

### **331.208 Board of trustees; compensation and expenses; claims, claims submitted to board; vacancies; body corporate.**

Sec. 8. No member of the board of trustees of any hospital established or maintained hereunder shall be entitled to receive compensation for his services. Any such trustee, however, shall be reimbursed on account



of any expense necessarily incurred by him in the performance of his official duties. All claims against the hospital shall be submitted to the board of trustees thereof, and, if approved, shall be subject to audit by the board of supervisors, and shall be paid in the manner other claims against the county are paid. Any vacancy occurring on the board of trustees shall be filled for the remainder of the term by the board of supervisors of the county. Any trustee may be summarily removed by the board of supervisors for misfeasance or malfeasance in office or for failure to follow any direction or resolution of the board of supervisors or any committee of said board of supervisors empowered to make such direction or resolution. Said board of trustees for the purpose of this act shall constitute a body corporate.

**History:** 1945, Act 109, Imd. Eff. Apr. 19, 1945;—CL 1948, 331.208.

### **331.209 Gifts, devises, bequests and donations.**

Sec. 9. Any person or persons, firm, organization, corporation or society may make donations of money, personal property or real estate for the benefit of such hospital, and shall have the right to vest title of the property so donated in the county. Such gifts, when accepted, shall be used in accordance with the terms of the deed, gift, devise or bequest of such property, if any; otherwise, the same shall be used in such manner as the board of supervisors shall direct for the benefit of said hospital or institution.

**History:** 1945, Act 109, Imd. Eff. Apr. 19, 1945;—CL 1948, 331.209.

### **331.210 Board of trustees; report to supervisors; estimate of necessary funds; appropriations; referendum.**

Sec. 10. Prior to the regular October session of the board of supervisors in each year, it shall be the duty of the board of trustees of the hospital or institution to make and present to the board a full and detailed report of the operations during the preceding year and of the receipts and disbursements. Said board of trustees shall present to said board of supervisors any information said board of supervisors may request concerning said hospital or institution. Said board of trustees shall present to the board of supervisors an estimate of the funds necessary to be raised in such county for the ensuing year. Thereupon, the board of supervisors, subject to the provisions of this act, shall vote such amount as it shall deem necessary to be raised by taxation. No moneys shall be expended by the board of trustees, except as appropriated by the board of supervisors. In case it is deemed expedient by any board of supervisors to raise in any 1 year, either for acquisition, construction, maintenance or operation purposes, an amount in excess of 1 mill on each dollar of assessed valuation of said county, the question of raising by taxation or borrowing such amounts as may be deemed necessary, shall be submitted to the electors of the county at any general election or at a special election called for that purpose. Said question shall be submitted and election held and conducted and returns thereof canvassed and declared in the same manner as is or may be provided by the general election law for the submission and determination of the question of issuing county bonds. If a majority of the electors of the county voting thereon authorize the raising of such additional sum or sums, the board of supervisors shall by resolution direct the raising of the same by taxation.

**History:** 1945, Act 109, Imd. Eff. Apr. 19, 1945;—CL 1948, 331.210.

### **331.211 Construction of act as to tuberculosis patient care.**

Sec. 11. No part of this act shall be construed to affect, alter or be in derogation of any statute of this state pertaining to the care, treatment, reporting, isolation, commitment or hospitalization of persons afflicted with tuberculosis.

**History:** 1945, Act 109, Imd. Eff. Apr. 19, 1945;—CL 1948, 331.211.

### **331.212 Transfer of hospital control to board of trustees.**

Sec. 12. Any hospital now owned by a county may be transferred by the board of supervisors of said county to the control of a board of trustees created under this act, and thereafter maintained and operated under the provisions of this act.

**History:** 1945, Act 109, Imd. Eff. Apr. 19, 1945;—CL 1948, 331.212.

### **331.212a County general hospital; establishment and operation by board of supervisors, purpose, site, appropriation, control; out-patient facilities; claims against board, estimate of funds.**

Sec. 12a. It shall be competent and lawful for the board of supervisors of any county in this state now or hereafter having a population of more than 1,000,000 as determined by the latest of each succeeding federal decennial census to acquire, own, construct, establish, maintain and operate, in the same manner and by the same means as is provided by this act for the acquisition, construction, establishment, maintenance and

operation of other hospitals authorized by this act, a county general hospital for the treatment of persons suffering from contagious and infectious diseases and for the treatment of indigent persons suffering from any physical ailment or impairment, and for the emergency treatment of any person who, in emergency, through accident or illness, would ordinarily be in danger of loss of life or serious bodily impairment, including persons hospitalized under the provisions of Act No. 267 of the Public Acts of 1915, as amended, being sections 404.101 to 404.112, inclusive, of the Compiled Laws of 1948. The board of supervisors, in the case of construction of such county general hospital, shall designate the site on which such county general hospital shall be placed. The board of supervisors shall also determine the sum or sums of money to be appropriated for the acquisition, ownership, construction, establishment and maintenance of said county general hospital, and for operational and equipment purposes. In any county having a population of more than 1,000,000, as determined by the latest of each succeeding federal decennial census, maintaining or which shall hereafter maintain a county infirmary, county hospital or institution operated by a board of county institutions appointed pursuant to the provisions of section 55 of Act No. 280 of the Public Acts of 1939, as amended, being section 400.55 of the Compiled Laws of 1948, the said board of county institutions shall have and exercise direction, control and supervision over such county general hospital or institution, subject to any direction, ordinance or resolution of the board of supervisors: Provided, That in counties having a population of more than 1,000,000, as determined by the latest of each succeeding federal decennial census, where Act No. 370 of the Public Acts of 1941, as amended, being sections 38.401 to 38.427, inclusive, of the Compiled Laws of 1948, is in force, such medical superintendent, physicians, nurses and other employees shall be employed pursuant to the provisions of said act. There may also be maintained by said county general hospital, under the direction and control of the board of supervisors, out-patient facilities for the treatment of indigent persons suffering from contagious and infectious diseases and other types of illness, upon such terms and conditions as shall be fixed by the said medical superintendent, with the approval of the board of county institutions.

All claims against the hospital shall be submitted to the board of county institutions, and, if approved, shall be subject to audit by the board of supervisors, or by the board of county auditors in counties having a board of county auditors. Said board of county institutions shall present to the board of supervisors, or in counties having a board of county auditors, to the board of county auditors, an estimate of the funds necessary to be raised in such county for the ensuing year.

**History:** Add. 1955, Act 55, Imd. Eff. May 10, 1955.

### **331.213 Repeal.**

Sec. 13. All acts and parts of acts inconsistent with the provisions of this act are hereby repealed.

**History:** 1945, Act 109, Imd. Eff. Apr. 19, 1945;—CL 1948, 331.213;—Am. 2018, Act 313, Imd. Eff. June 29, 2018.

**UNIVERSITY COUNTY HOSPITAL ACT**  
**Act 236 of 1943**

AN ACT to permit the board of supervisors, in any county now or hereafter having a population of 500,000 or more and having located within it a publicly owned university with a college of medicine, to appropriate not to exceed \$2,000,000.00 to defray the costs of constructing and equipping a university county hospital; to provide for a board of trustees to construct, equip, operate and maintain such hospital; and to permit the governing board of the school district operating such university to appropriate funds for the construction and equipping of said hospital.

**History:** 1943, Act 236, Imd. Eff. Apr. 22, 1943;—Am. 1945, Act 17, Eff. Sept. 6, 1945.

*The People of the State of Michigan enact:*

**331.251 University county hospital; board of supervisors, powers; size and service limitation.**

Sec. 1. The board of supervisors of any county now or hereafter having a population of 500,000 or more as determined by the last federal decennial census or by any federal decennial census hereafter taken in which there is or may be located a publicly owned university having a college of medicine may appropriate not to exceed \$2,000,000.00 for the purpose of defraying the cost of constructing and equipping a university county hospital for teaching and research. The size of said hospital shall not exceed 350 beds and the services of said hospital shall be limited to indigent patients.

**History:** 1943, Act 236, Imd. Eff. Apr. 22, 1943;—Am. 1945, Act 17, Eff. Sept. 6, 1945;—CL 1948, 331.251.

**331.252 Board of trustees; appointment, members, terms.**

Sec. 2. The construction, equipment, operation and maintenance of such hospital shall be under the supervision and control of a board who shall constitute a body corporate and be known as the board of trustees of the ..... university county hospital. The board of trustees shall consist of 7 members, 3 of whom shall be chosen by the board of education of the county, not more than 1 of whom shall be a doctor of medicine, and 3 of whom shall be chosen by the governing board of the university referred to in section 1 hereof, not more than 1 of whom shall be a doctor of medicine. The ranking executive officer of the college of medicine of said university shall be an ex officio member of said board of trustees. The appointed trustees shall serve without salary for such term or terms as the appointing power shall determine at the time of such appointment.

**History:** 1943, Act 236, Imd. Eff. Apr. 22, 1943;—CL 1948, 331.252.

**331.253 Governing body of school district; appropriation.**

Sec. 3. The governing body of the school district or board of education operating any such publicly owned university may appropriate from its funds such amounts as it may deem advisable for the purpose of assisting in defraying the cost of the constructing and equipping of said hospital.

**History:** 1943, Act 236, Imd. Eff. Apr. 22, 1943;—CL 1948, 331.253.

**331.254 Board of trustees; land holding powers.**

Sec. 4. It shall be competent for the board of trustees of said hospital to take, by gift, devise or bequest, and hold in perpetuity any land or other property in trust for any purpose not inconsistent with the objects and purposes of said hospital.

**History:** 1943, Act 236, Imd. Eff. Apr. 22, 1943;—CL 1948, 331.254.

**331.255 University county hospital act; short title.**

Sec. 5. This act shall be known and may be referred to as the university county hospital act.

**History:** 1943, Act 236, Imd. Eff. Apr. 22, 1943;—CL 1948, 331.255.

**DETENTION HOSPITALS**  
**Act 1 of 1912 (1st Ex. Sess.)**

AN ACT to authorize the construction or purchase of detention hospitals, or for the securing of the care and treatment of persons afflicted with contagious or communicable diseases, in cities within this state having a population of not less than 5,000 inhabitants.

**History:** 1912, 1st Ex. Sess., Act 1, Imd. Eff. Mar. 8, 1912.

*The People of the State of Michigan enact:*

**331.301 City detention hospital; borrowing power of city, limitations.**

Sec. 1. Hereafter it shall be lawful for any city within this state, having a population of not less than 5,000 inhabitants, to borrow any sum of money to be used exclusively for the purpose of purchasing grounds, rights, privileges, materials, and in making improvements connected with, and for the sole purpose of providing such city, and the inhabitants thereof, with a detention hospital or hospitals, or for the care and treatment of persons afflicted with contagious or communicable diseases: Provided, That the total sum borrowed and raised by tax by any such city for such purposes shall not exceed 3 mills on the dollar of the assessed valuation of such city, as contained in the last preceding assessment roll of the same: Provided further, That the rate of interest shall not exceed 5 per centum per annum upon any such indebtedness contracted under the provisions of this act.

**History:** 1912, 1st Ex. Sess., Act 1, Imd. Eff. Mar. 8, 1912;—CL 1915, 10876;—CL 1929, 7081;—CL 1948, 331.301.

**331.302 Bond issue; payment of principal and interest; referendum.**

Sec. 2. The common council of any city availing itself of the provisions of this act, shall have the power to fix the time and place of payment of the principal and interest voted under the provisions of this act, and to issue the bonds or other evidences of indebtedness of such city: Provided, That it shall not be lawful for the common council of any such city to borrow any portion of said sum of money unless the question of borrowing the same shall have been first submitted to the electors of such city at its annual election, or at a special election called for that purpose by the common council of such city, and shall have been adopted by a 3/5 vote of the electors voting at such election.

**History:** 1912, 1st Ex. Sess., Act 1, Imd. Eff. Mar. 8, 1912;—CL 1915, 10877;—CL 1929, 7082;—CL 1948, 331.302.

**331.303 Bond issue; tax levy for payment.**

Sec. 3. It shall be the duty of the common council of any city availing itself of the provisions of this act, from time to time, as it may be necessary, to levy and collect such sums of money as may be required to pay the principal and interest of any bonds or other evidences of indebtedness voted by such city under this act.

**History:** 1912, 1st Ex. Sess., Act 1, Imd. Eff. Mar. 8, 1912;—CL 1915, 10878;—CL 1929, 7083;—CL 1948, 331.303.

**331.304 Construction of act as to city charter provisions.**

Sec. 4. Nothing in this act shall be construed to affect the special provisions in the charter of any city already authorizing the construction or purchase of detention hospitals, or for the securing of the care and treatment of persons afflicted with contagious or communicable diseases.

**History:** 1912, 1st Ex. Sess., Act 1, Imd. Eff. Mar. 8, 1912;—CL 1915, 10879;—CL 1929, 7084;—CL 1948, 331.304.

**331.305 Declaration of necessity.**

Sec. 5. It is hereby declared that this act is immediately necessary for the preservation of the public health.

**History:** 1912, 1st Ex. Sess., Act 1, Imd. Eff. Mar. 8, 1912;—CL 1915, 10880;—CL 1929, 7085;—CL 1948, 331.305.

**MATERNITY OR LYING-IN HOSPITALS**  
**Act 263 of 1913**

**331.401-331.407 Repealed. 1951, Act 231, Eff. Sept. 28, 1951;—1978, Act 368, Eff. Sept. 30, 1978.**

**LICENSING OF HOSPITALS**  
**Act 17 of 1968**

**331.411-331.430 Repealed. 1978, Act 368, Eff. Sept. 30, 1978.**

**HEALTH FACILITIES**  
**Act 256 of 1972**

**331.451-331.462 Repealed. 1978, Act 368, Eff. Sept. 30, 1978.**

**FREESTANDING SURGICAL OUTPATIENT FACILITIES**  
**Act 274 of 1974**

**331.471-331.493 Repealed. 1978, Act 368, Eff. Sept. 30, 1978.**

**MICHIGAN HOSPITAL SURVEY AND CONSTRUCTION ACT**  
**Act 299 of 1947**

AN ACT to provide for an inventory of existing hospitals, for a survey of the need for additional hospital facilities, and for the development and administration of a hospital construction program which will, in conjunction with existing facilities, afford hospitals adequate to serve all the people of the state; to provide for compliance with the requirements of the federal hospital survey and construction act and regulations thereunder; to create an office of hospital survey and construction, and to prescribe its powers and duties; to create the Michigan advisory hospital council, and to prescribe its powers and duties; to prescribe penalties; and to make appropriations to carry out the provisions of this act.

**History:** 1947, Act 299, Eff. Oct. 11, 1947;—Am. 1948, 1st Ex. Sess., Act 14, Imd. Eff. Apr. 28, 1948.

*The People of the State of Michigan enact:*

PART A  
GENERAL

**331.501 Michigan hospital survey and construction act; short title.**

Sec. 1. This act may be cited as the "Michigan hospital survey and construction act."

**History:** 1947, Act 299, Eff. Oct. 11, 1947;—CL 1948, 331.501.

**331.502 Michigan hospital survey and construction act; definitions.**

Sec. 2. As used in this act:

(a) "The federal act" means Public Law 725 of the 79th Congress, approved August 13, 1946, known as the hospital survey and construction act.

(b) "The surgeon general" means the surgeon general of the public health service of the United States.

(c) "Hospital" includes public health centers and general, tuberculosis, mental, chronic disease, and other types of hospitals, and related facilities, such as laboratories, out-patient departments, nurses' home and training facilities, and central service facilities operated in connection with hospitals, but does not include any hospital furnishing primarily domiciliary care.

(d) "Public health center" means a publicly owned facility for the provision of public health services, including related facilities such as laboratories, clinics, and administrative offices operated in connection with public health centers.

(e) "Non-profit hospital" means any hospital owned and operated by a corporation or association, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

**History:** 1947, Act 299, Eff. Oct. 11, 1947;—CL 1948, 331.502.

**331.503 Office of hospital survey and construction; establishment; director, appointment, salary; purposes.**

Sec. 3. There is hereby established in the executive branch of the state government an office of hospital survey and construction, which shall be administered by a full-time salaried director appointed by the governor, to serve at the pleasure of the governor. This office shall constitute the sole agency of the state for the purpose of (1) making an inventory of existing hospitals, surveying the need for construction of hospitals, and developing a program of hospital construction as provided in Part B of this act, and (2) developing and administering a state plan for the construction of public and other non-profit hospitals as provided in Part C of this act.

**History:** 1947, Act 299, Eff. Oct. 11, 1947;—CL 1948, 331.503.

**331.504 Office of hospital survey and construction; authority of director.**

Sec. 4. In carrying out the purposes of this act, the director is authorized and directed:

(a) To require such reports, make such inspections and investigations and prescribe such regulations as he deems necessary;

(b) To provide such methods of administration and personnel, and take such other action as may be necessary to comply with the requirements of the federal act and the regulations thereunder;

(c) To procure in his discretion the temporary or intermittent services of experts or consultants or organizations thereof, by contract, when such services are to be performed on a part-time or fee-for-service basis and do not involve the performance of administrative duties;

(d) To the extent that he considers desirable to effectuate the purposes of this act, to enter into agreements for the utilization of the facilities and services of other departments, agencies, and institutions, public or private. Insofar as is practical, the services of the buildings and construction division of the state administrative board shall be used in the performance of the duties as set forth by this act.

(e) To make an annual report to the governor and to the legislature on activities and expenditures pursuant to this act, including recommendations for such additional legislation as the director considers appropriate to furnish adequate hospital, clinic, and similar facilities to the people of this state.

**History:** 1947, Act 299, Eff. Oct. 11, 1947;—CL 1948, 331.504.

### **331.505 Office of hospital survey and construction; application for federal funds, deposit, expenditure, repayment of unexpended funds; gifts, grants.**

Sec. 5. The state budget director is authorized to make application to the surgeon general for federal funds to assist in carrying out the survey and planning activities herein provided. Such funds shall be deposited in the state treasury and shall be available to the office of hospital survey and construction for expenditure in carrying out the purposes of this act in such manner as is or may be provided by law. Any such funds received and not expended for such purposes shall be repaid to the treasury of the United States. The state budget director is further authorized to accept on behalf of the state and to deposit with the state treasurer, to be credited to the hospital construction and planning fund, any grant, gift or contribution made to assist in meeting the cost of carrying out the purposes of this act.

**History:** 1947, Act 299, Eff. Oct. 11, 1947;—CL 1948, 331.505.

### **331.506, 331.507 Repealed. 1980, Act 180, Imd. Eff. July 2, 1980.**

**Compiler's note:** The repealed sections pertained to Michigan advisory hospital council and appropriation of state and federal funds.

## PART B SURVEY AND PLANNING

### **331.508 Inventory and survey of hospitals; construction program.**

Sec. 8. The director is authorized and directed to make an inventory of existing hospitals, including public, non-profit and proprietary hospitals, to survey the need for construction of hospitals, and, on the basis of such inventory and survey, to develop a program for the construction of such public and other non-profit hospitals as will, in conjunction with existing facilities, afford the necessary physical facilities for furnishing adequate hospital, clinic and similar services to all the people of the state.

**History:** 1947, Act 299, Eff. Oct. 11, 1947;—CL 1948, 331.508.

### **331.509 Hospital construction program; adequate facilities.**

Sec. 9. The construction program shall provide, in accordance with regulations prescribed under the federal act, for adequate hospital facilities for the people residing in this state and insofar as possible shall provide for their distribution throughout the state in such manner as to make all types of hospital service reasonably accessible to all persons in the state.

**History:** 1947, Act 299, Eff. Oct. 11, 1947;—CL 1948, 331.509.

## PART C HOSPITAL CONSTRUCTION PROGRAM

### **331.510 Hospital construction program; state plan, contents, submission to surgeon general, hearing, approval, publication, review, modification.**

Sec. 10. The director shall prepare and submit to the surgeon general a state plan which shall include the hospital construction program developed under Part B of this act, and which shall provide for the establishment, administration, and operation of hospital construction activities in accordance with the requirements of the federal act and regulations thereunder. The director shall, prior to the submission of such plan to the surgeon general, give adequate publicity to a general description of all the provisions proposed to be included therein, and hold a public hearing at which all persons or organizations with a legitimate interest in such plan may be given an opportunity to express their views. After approval of the plan by the surgeon general, the director shall publish a general description of the provisions thereof in at least 1 newspaper having general circulation in each county in the state, and shall make the plan, or a copy thereof, available upon request to all interested persons or organizations. The director shall from time to time review the hospital construction program and submit to the surgeon general any modifications thereof which he may find

necessary and may submit to the surgeon general such modifications of the state plan, not inconsistent with the requirements of the federal act, as he may deem advisable.

**History:** 1947, Act 299, Eff. Oct. 11, 1947;—CL 1948, 331.510.

### **331.511 Hospital construction program; minimum standards for maintenance and operation of hospitals receiving federal aid; medical personnel.**

Sec. 11. Any hospital which shall hereafter receive federal aid under the provisions of Public Law 725, known as the "hospital survey and construction act," enacted by the 79th Congress, shall hereafter comply with the minimum standards of maintenance and operation which the state department of health with the advice of the advisory hospital council, shall promulgate and administer. This section shall not be construed so as to authorize any regulation of medical personnel.

**History:** 1947, Act 299, Eff. Oct. 11, 1947;—Am. 1948, 1st Ex. Sess., Act 14, Imd. Eff. Apr. 28, 1948;—CL 1948, 331.511.

### **331.511a Minimum standards violation; penalty.**

Sec. 11a. Any such hospital or person acting in behalf of such hospital violating these minimum standards of maintenance and operation shall be guilty of a misdemeanor, and upon conviction shall be fined not more than \$100.00 for the first offense and not more than \$200.00 for each subsequent offense, and each day of a continuing violation after conviction shall be considered a separate offense.

**History:** Add. 1948, 1st Ex. Sess., Act 14, Imd. Eff. Apr. 28, 1948;—CL 1948, 331.511a.

### **331.512 Construction projects; relative needs, federal regulations, priority.**

Sec. 12. The state plan shall set forth the relative need for the several projects included in the construction program determined in accordance with regulations prescribed pursuant to the federal act, and provide for the construction, insofar as financial resources available therefor are certified by the state budget director, and for maintenance and operations and make possible in the order of such relative need.

**History:** 1947, Act 299, Eff. Oct. 11, 1947;—CL 1948, 331.512.

### **331.513 Construction projects; application, submittance to director, conformity with federal or state requirements.**

Sec. 13. Applications for hospital construction projects for which federal funds are requested shall be submitted to the director and may be submitted by the state or any political subdivision thereof or by any public or non-profit agency authorized to construct and operate a hospital. Each application for a construction project shall conform to federal and state requirements.

**History:** 1947, Act 299, Eff. Oct. 11, 1947;—CL 1948, 331.513.

### **331.514 Construction projects; hearing on application, approval, recommending and forwarding to surgeon general.**

Sec. 14. The director shall afford to every applicant for a construction project an opportunity for a fair hearing. If the director, after affording reasonable opportunity for development and presentation of applications in the order of relative need, finds that a project application complies with the requirements of section 13 of this act and is otherwise in conformity with the state plan, he shall approve such application and shall recommend and forward it to the surgeon general.

**History:** 1947, Act 299, Eff. Oct. 11, 1947;—CL 1948, 331.514.

### **331.515 Construction projects; inspection, certification, federal installment payments.**

Sec. 15. From time to time the director shall inspect each construction project approved by the surgeon general, and, if the inspection so warrants, the director shall certify to the surgeon general that work has been performed upon the project, or purchases have been made, in accordance with the approved plans and specifications, and that payment of an installment of federal funds is due to the applicant.

**History:** 1947, Act 299, Eff. Oct. 11, 1947;—CL 1948, 331.515.

### **331.516 State budget director; authorization to receive federal funds; hospital construction planning fund, deposit, disbursement.**

Sec. 16. The state budget director is hereby authorized to receive federal funds in behalf of applicants and to authorize the director of the division of hospital survey and construction to transmit them to such applicants. There is hereby established, separate and apart from all public moneys and funds of this state, a hospital construction and planning fund. Money received from the federal government for a construction project approved by the surgeon general shall be deposited to the credit of this fund and shall be used solely



for payments due applicants for work performed, or purchases made, in carrying out approved projects.

**History:** 1947, Act 299, Eff. Oct. 11, 1947;—CL 1948, 331.516.

**RELEASE OF INFORMATION FOR MEDICAL RESEARCH AND EDUCATION**  
**Act 270 of 1967**

AN ACT to provide for the collection, reporting, and release of certain information or data relating to health care research or education, patient safety, health care entities, practitioners, or professions, or certain governmentally funded programs; to limit the liability with respect to the collection, reporting, and release of certain information or data; and to safeguard the confidential character of certain information or data.

**History:** 1967, Act 270, Imd. Eff. July 20, 1967;—Am. 1980, Act 3, Imd. Eff. Feb. 11, 1980;—Am. 2008, Act 541, Imd. Eff. Jan. 13, 2009.

*The People of the State of Michigan enact:*

**331.531 Providing information or data to review entity regarding physical condition, psychological condition, health care of person, or qualifications of provider; "review entity" defined; liability; disciplinary actions to be reported to department of community health.**

Sec. 1. (1) A person, organization, or entity may provide to a review entity information or data relating to the physical or psychological condition of a person, the necessity, appropriateness, or quality of health care rendered to a person, or the qualifications, competence, or performance of a health care provider.

(2) As used in this section, "review entity" means 1 of the following:

(a) A duly appointed peer review committee of 1 of the following:

(i) The state.

(ii) A state or county association of health care professionals.

(iii) A health facility or agency licensed under article 17 of the public health code, 1978 PA 368, MCL 333.20101 to 333.22260.

(iv) A health care association.

(v) A health care network, a health care organization, or a health care delivery system composed of health professionals licensed under article 15 of the public health code, 1978 PA 368, MCL 333.16101 to 333.18838, or composed of health facilities licensed under article 17 of the public health code, 1978 PA 368, MCL 333.20101 to 333.22260, or both.

(vi) A health plan qualified under the program for medical assistance administered by the department of human services under the social welfare act, 1939 PA 280, MCL 400.1 to 400.119b.

(b) A professional standards review organization qualified under federal or state law.

(c) A foundation or organization acting pursuant to the approval of a state or county association of health care professionals.

(d) A state department or agency whose jurisdiction encompasses the information described in subsection (1).

(e) An organization established by a state association of hospitals or physicians, or both, that collects and verifies the authenticity of documents and other data concerning the qualifications, competence, or performance of licensed health care professionals and that acts as a health facility's agent pursuant to the health care quality improvement act of 1986, title IV of Public Law 99-660, 42 USC 11101 to 11152.

(f) A professional corporation, limited liability partnership, or partnership consisting of 10 or more allopathic physicians, osteopathic physicians, or podiatric physicians and surgeons licensed under article 15 of the public health code, 1978 PA 368, MCL 333.16101 to 333.18838, who regularly practice peer review consistent with the requirements of article 17 of the public health code, 1978 PA 368, MCL 333.20101 to 333.22260.

(g) An organization established by a state association of pharmacists, that collects and verifies the authenticity of documents and other data concerning the qualifications, competence, or performance of licensed pharmacists and pharmacies.

(h) A qualified hospital patient safety organization that collects data on serious adverse events under section 4.

(3) A person, organization, or entity is not civilly or criminally liable:

(a) For providing information or data pursuant to subsection (1).

(b) For an act or communication within its scope as a review entity.

(c) For releasing or publishing a record of the proceedings, or of the reports, findings, or conclusions of a review entity, subject to sections 2 and 3.

(4) The immunity from liability provided under subsection (3) does not apply to a person, organization, or entity that acts with malice.

(5) An entity described in subsection (2)(a)(v) or (vi) that employs, contracts with, or grants privileges to a health professional licensed or registered under article 15 of the public health code, 1978 PA 368, MCL 333.16101 to 333.18838, shall report each of the following to the department of community health not more than 30 days after it occurs:

(a) Disciplinary action taken by the entity against a health professional licensed or registered under article 15 of the public health code, 1978 PA 368, MCL 333.16101 to 333.18838, based on the health professional's professional competence, disciplinary action that results in a change of the health professional's employment status, or disciplinary action based on conduct that adversely affects the health professional's clinical privileges for a period of more than 15 days. As used in this subdivision, "adversely affects" means the reduction, restriction, suspension, revocation, denial, or failure to renew the clinical privileges of a health professional by an entity described in subsection (2)(a)(v) or (vi).

(b) Restriction or acceptance of the surrender of the clinical privileges of a health professional under either of the following circumstances:

(i) The health professional is under investigation by the entity.

(ii) There is an agreement in which the entity agrees not to conduct an investigation into the health professional's alleged professional incompetence or improper professional conduct.

(c) A case in which a health professional resigns or terminates a contract or whose contract is not renewed instead of the entity taking disciplinary action against the health professional.

(6) Upon request by another entity described in subsection (2) seeking a reference for purposes of changing or granting staff privileges, credentials, or employment, an entity described in subsection (2) that employs, contracts with, or grants privileges to health professionals licensed or registered under article 15 of the public health code, 1978 PA 368, MCL 333.16101 to 333.18838, shall notify the requesting entity of any disciplinary or other action reportable under subsection (5) that it has taken against a health professional employed by, under contract to, or granted privileges by the entity.

(7) For the purpose of reporting disciplinary actions under subsection (5), an entity described in subsection (2)(a)(v) or (vi) shall include only the following in the information provided:

(a) The name of the health professional against whom disciplinary action has been taken.

(b) A description of the disciplinary action taken.

(c) The specific grounds for the disciplinary action taken.

(d) The date of the incident that is the basis for the disciplinary action.

(8) For the purpose of reporting disciplinary actions under subsection (6), an entity described in subsection (2) shall include in the report only the information described in subsection (7)(a) to (d).

**History:** 1967, Act 270, Imd. Eff. July 20, 1967;—Am. 1969, Act 190, Eff. Mar. 20, 1970;—Am. 1975, Act 119, Imd. Eff. June 25, 1975;—Am. 1980, Act 3, Imd. Eff. Feb. 11, 1980;—Am. 1992, Act 215, Imd. Eff. Oct. 9, 1992;—Am. 1998, Act 59, Imd. Eff. Apr. 20, 1998;—Am. 2002, Act 600, Imd. Eff. Dec. 16, 2002;—Am. 2005, Act 89, Imd. Eff. July 20, 2005;—Am. 2008, Act 541, Imd. Eff. Jan. 13, 2009.

### **331.532 Release or publication of proceedings, reports, findings, and conclusions of review entity; purposes; release of department of corrections' records regarding prisoners to legislative corrections ombudsman.**

Sec. 2. (1) Except as provided in subsection (2), the release or publication of a record of the proceedings or of the reports, findings, and conclusions of a review entity shall be for 1 or more of the following purposes:

(a) To advance health care research or health care education.

(b) To maintain the standards of the health care professions.

(c) To protect the financial integrity of any governmentally funded program.

(d) To provide evidence relating to the ethics or discipline of a health care provider, entity, or practitioner.

(e) To review the qualifications, competence, and performance of a health care professional with respect to the selection and appointment of the health care professional to the medical staff of a health facility.

(f) To comply with section 20175 of the public health code, 1978 PA 368, MCL 333.20175.

(2) The review entity responsible for mortality and morbidity records, reports, findings, and conclusions regarding prisoners under the jurisdiction of the department of corrections shall release those records, reports, findings, and conclusions to the legislative corrections ombudsman to the extent required under section 5 of 1975 PA 46, MCL 4.355.

**History:** 1967, Act 270, Imd. Eff. July 20, 1967;—Am. 1969, Act 190, Eff. Mar. 20, 1970;—Am. 1975, Act 119, Imd. Eff. June 25, 1975;—Am. 1980, Act 3, Imd. Eff. Feb. 11, 1980;—Am. 1992, Act 215, Imd. Eff. Oct. 9, 1992;—Am. 1993, Act 86, Eff. Apr. 1, 1994;—Am. 2010, Act 286, Imd. Eff. Dec. 16, 2010.

### **331.533 Confidentiality.**

Sec. 3. The identity of a person whose condition or treatment has been studied under this act is confidential and a review entity shall remove the person's name and address from the record before the review entity releases or publishes a record of its proceedings, or its reports, findings, and conclusions. Except as otherwise provided in section 2, the record of a proceeding and the reports, findings, and conclusions of a review entity and data collected by or for a review entity under this act are confidential, are not public records, and are not discoverable and shall not be used as evidence in a civil action or administrative proceeding.

**History:** 1967, Act 270, Imd. Eff. July 20, 1967;—Am. 1969, Act 190, Eff. Mar. 20, 1970;—Am. 1975, Act 119, Imd. Eff. June 25, 1975;—Am. 1992, Act 215, Imd. Eff. Oct. 9, 1992.

**331.534 Creation of nonpunitive, confidential reporting system by qualified hospital patient safety organization; public report; definitions.**

Sec. 4. (1) Beginning January 1, 2009, a qualified hospital patient safety organization shall create a nonpunitive, confidential reporting system to collect data regarding serious adverse events that occur in hospitals for the purpose of improving patient safety and to facilitate the safe delivery of health care in hospitals in this state.

(2) A qualified hospital patient safety organization shall annually develop and distribute a public report for the purpose of improving patient safety and to facilitate the safe delivery of health care in hospitals in this state.

(3) As used in this section:

(a) "Hospital" means that term as defined in section 20106 of the public health code, 1978 PA 368, MCL 333.20106.

(b) "Qualified hospital patient safety organization" means a patient safety organization that was incorporated under state law before January 1, 2009 by an organization with a membership of at least 75% of all hospitals in this state and is organized to do the activities of a patient safety organization as described in 42 USC 299b-24.

(c) "Serious adverse event" includes, but is not limited to, those events listed by the national quality forum in its publication entitled "Serious Reportable Events in Healthcare 2006 Update".

**History:** Add. 2008, Act 541, Imd. Eff. Jan. 13, 2009.

**ABORTION  
Act 176 of 1973**

**331.551-331.556 Repealed. 1978, Act 368, Eff. Sept. 30, 1978.**

**MEDICAL CENTER COMMISSION**  
**Act 154 of 1949**

AN ACT to authorize any city or incorporated village, having a population of over 500,000 according to the latest or each succeeding federal decennial census, to establish a medical center commission and prescribe its duties, to acquire and dispose of real property in a medical center district, to prescribe the methods of finance and exercise of these powers, and to declare the effect of this act.

**History:** 1949, Act 154, Eff. Sept. 23, 1949.

*The People of the State of Michigan enact:*

**331.601 Medical center commission; declaration of necessity.**

Sec. 1. It is hereby found and declared that inadequate and insufficient facilities exist, both governmental and non-governmental, for research into the causes of physical and mental disease, for the training of students in medicine, psychiatry, dentistry, and nursing; that the lack of these facilities makes it difficult, if not impossible, to secure enough competent personnel for these professions; that the centralization of the resources of a number of institutions, governmental and non-governmental, into a medical center district would create better conditions for research and training; that in order to secure a centralization of facilities a medical center commission is necessary to interest the needed institutions in such an arrangement and to acquire the land needed for a medical center district; that in order to select the most favorable location it is necessary for cities and villages to exercise their power of eminent domain to acquire land for the use of both governmental and non-governmental medical institutions; that, since medical institutions find it difficult to finance the acquisition of land or the construction of buildings, a medical center commission is necessary as a centralized method of obtaining funds from whatever sources may be available; and the necessity in the public interest for provisions herein enacted is hereby declared as a matter of legislative determination to be a public purpose and a public use.

**History:** 1949, Act 154, Eff. Sept. 23, 1949.

**331.602 Medical commission; definitions.**

Sec. 2. The following terms whenever used or referred to in this act shall have the following respective meanings, unless a different meaning clearly appears from the context.

The term "commission" as hereinafter used shall mean medical center commission.

The term "district" shall mean medical center district.

"Governmental institutions" shall mean hospitals, clinics, medical schools, medical research institutes, and related institutions which are governmentally owned and operated.

"Private institutions" shall mean hospitals, clinics, medical schools, medical research institutes, and related institutions which are privately owned and operated and are not for profit.

**History:** 1949, Act 154, Eff. Sept. 23, 1949.

**331.603 Medical commission; creation.**

Sec. 3. Any city or incorporated village, meeting the requirements of this act, is hereby authorized to create by ordinance a commission with power to accomplish the purposes of this act.

**History:** 1949, Act 154, Eff. Sept. 23, 1949.

**331.604 Medical commission; district boundaries, development plan.**

Sec. 4. The commission shall establish the boundaries of the district and shall draw up a development plan, subject to the approval of the local planning commission, if any, and of the local legislative body. The commission shall administer the plan for the district and shall be responsible for its effectuation.

**History:** 1949, Act 154, Eff. Sept. 23, 1949.

**331.605 Medical commission; membership, term, appointment, vacancies.**

Sec. 5. The membership and the terms of office of said commission shall be established at the discretion of the local legislative body. The number of commissioners, however, shall not exceed 9. The terms of office shall be alternated in such a manner that they do not expire at the same time. The members of the commission shall be appointed by the mayor or the village president. The commissioners shall serve without compensation. Any vacancies in office shall be filled by the mayor or the village president for the remainder of the unexpired term.

**History:** 1949, Act 154, Eff. Sept. 23, 1949.

**331.606 Conducting business at public meeting; notice; frequency of meetings; rules of procedure; record of proceedings; availability of writings to public; quorum; election of president and vice-president; appointment, duties, and compensation of officers and employees.**

Sec. 6. (1) The business which the commission may perform shall be conducted at a public meeting of the commission held in compliance with Act No. 267 of the Public Acts of 1976, being sections 15.261 to 15.275 of the Michigan Compiled Laws. Public notice of the time, date, and place of the meeting shall be given in the manner required by Act No. 267 of the Public Acts of 1976. The commission shall meet at regular intervals.

(2) The commission shall adopt rules of procedure and shall keep a record of its proceedings. A writing prepared, owned, used, in the possession of, or retained by the commission in the performance of an official function shall be made available to the public in compliance with Act No. 442 of the Public Acts of 1976, being sections 15.231 to 15.246 of the Michigan Compiled Laws. Not less than 1/2 of the members shall be present to constitute a quorum for the transaction of business.

(3) A president and vice-president shall be elected by the commission. The commission may appoint a director who may also serve as secretary, and other officers and employees as it considers necessary. The commission shall prescribe the duties of its officers and employees and, with the approval of the local legislative body, fix their compensation.

**History:** 1949, Act 154, Eff. Sept. 23, 1949;—Am. 1978, Act 201, Imd. Eff. June 4, 1978.

**331.607 Medical commission; acceptance of grants or loans.**

Sec. 7. To finance the purposes of this act, the commission may accept grants or loans from the local, state, or federal government; or may obtain funds through the sale of revenue bonds.

**History:** 1949, Act 154, Eff. Sept. 23, 1949.

**331.608 Medical commission; property, purchase, condemnation, sale or lease.**

Sec. 8. The commission may, with the approval of the local legislative body, take and hold, by purchase, gift, devise, bequest or otherwise, such real and personal property as may be proper for carrying out the intent and purpose of this act. It shall recommend to the local legislative body the institution of condemnation proceedings whenever, in its judgment, private property should be taken in the name of the municipality for the purposes of the commission. Any land acquired by the municipality for the purposes of this act shall be held in fee simple title by the commission. The commission may sell or lease land, so acquired, to either governmental or non-governmental institutions, or may convey it for a public purpose.

**History:** 1949, Act 154, Eff. Sept. 23, 1949.

**331.609 Medical commission; powers as to governmental institutional buildings.**

Sec. 9. The commission may make funds available for the erection of governmental institutional buildings in the district, and for the operation and maintenance of said governmental institutional buildings. The commission may assist non-governmental institutions in the raising of funds from any available source for the purchase of land in the district, and for the erection, operation and maintenance of institutional buildings in said district. It shall have those powers as stated in this act and such further powers as may be necessary to carry out the purposes and objectives of this act: Provided, however, That these powers are not inconsistent with charter provisions and state law. The powers granted in this act shall be in addition to powers granted to municipalities, the local legislative bodies thereof and other officials and bodies thereof under the statutes and local charters.

**History:** 1949, Act 154, Eff. Sept. 23, 1949.

**TRANSFER OF CLINICS BUILDING AND DETROIT RECEIVING HOSPITAL**  
**Act 217 of 1979**

AN ACT to provide for the transfer of the clinics building at Wayne state university and of the Detroit receiving hospital to a nonprofit corporation; to define the purpose of the transfers; and to prescribe the terms and conditions of the transfers.

**History:** 1979, Act 217, Imd. Eff. Jan. 15, 1980.

*The People of the State of Michigan enact:*

**331.621 Transfer of clinics building and Detroit receiving hospital as serving public purpose; authorization; receipt of full value.**

Sec. 1. It is hereby determined that the transfer of the clinics building owned by Wayne state university and of the Detroit receiving hospital to the Detroit medical center corporation, a private nonprofit Michigan corporation, or a subsidiary of that corporation serves a public purpose for all the citizens of the state of Michigan since the transfers shall enable the facilities to continue to be operated for the purposes described in sections 3 and 4. Subject to the provisions of this act, such transfers are hereby authorized. It is also hereby determined that full value shall be considered to have been received in exchange for the facilities and the transfer of the facilities shall be considered to have been authorized by law, if the conditions described in section 2 are satisfied.

**History:** 1979, Act 217, Imd. Eff. Jan. 15, 1980.

**331.622 Terms and conditions of transfers.**

Sec. 2. The transfers described in section 1 shall be accomplished only on the following terms and conditions:

(a) The transfer of the Detroit receiving hospital shall be approved by the city of Detroit and the transfer of the clinics building owned by Wayne state university shall be approved by the board of governors of Wayne state university and the board of trustees of the health care institute, incorporated, a private nonprofit Michigan corporation.

(b) Both transfers described in section 1 shall be accepted by the board of trustees of the Detroit medical center corporation.

(c) The Detroit medical center corporation or its subsidiary shall establish an operating board of directors to direct the combined operation of the clinics building and the Detroit receiving hospital, subject to policies established by the board of trustees of the Detroit medical center corporation.

(d) The board of trustees of the Detroit medical center corporation shall appoint a 10-member operating board of directors, a majority of whom shall be composed of representatives from the city of Detroit and Wayne state university from slates nominated by the mayor of the city of Detroit and the president of Wayne state university, respectively. Wayne state university and the city of Detroit shall each have the same number of representatives on the operating board of directors.

(e) The chief executive officer responsible for the combined operations shall be nominated by the Detroit medical center corporation and appointed by the operating board of directors.

(f) The clinics building and Detroit receiving hospital shall continue to be operated at all times in a manner consistent with the purposes of those facilities as described in sections 3 and 4.

(g) The Detroit receiving hospital shall not be sold, transferred, or otherwise disposed of, in whole or in part, in a manner which impairs the contractual obligations of the owner or lessee thereof with respect to outstanding bonds issued by the owner and payable from rentals to be paid by the lessee of the security therefor pursuant to any contracts or other obligations previously entered into for the benefit of the Detroit receiving hospital until all such bonds have been paid in full, both as to principal and interest, or until such full payment has been duly provided for.

(h) Other terms and conditions as are agreed upon by the parties, consistent with subdivisions (a) to (e).

**History:** 1979, Act 217, Imd. Eff. Jan. 15, 1980.

**331.623 Clinics building; purposes.**

Sec. 3. The purposes for which the clinics building was designed and for which it shall continue to be operated are as follows:

(a) To provide high quality ambulatory health care services by interdisciplinary health care professionals within the present and future capacities of the institution.

(b) To provide educational programs which provide opportunities for students of various health care

professions to participate in an ambulatory health care program with an emphasis on primary care, if the programs continue to be funded by the state.

(c) To provide, together with other institutions operated by the Detroit medical center corporation, the highest quality health services to all persons needing them, regardless of the person's religious, racial, or ethnic identification, or economic status.

**History:** 1979, Act 217, Imd. Eff. Jan. 15, 1980.

**331.624 Detroit receiving hospital; purposes.**

Sec. 4. The purposes for which Detroit receiving hospital was designed and for which it shall continue to be operated are as follows:

(a) To provide an emergency and trauma unit for the residents of the city of Detroit within the present and future capacities of the facility.

(b) To provide, together with other institutions operated by the Detroit medical center corporation, the highest quality health services to all persons needing them, regardless of the person's religious, racial, or ethnic identification, or economic status.

**History:** 1979, Act 217, Imd. Eff. Jan. 15, 1980.

**THE NURSING HOME AND HOME FOR THE AGED LICENSING ACT  
Act 139 of 1956**

**331.651-331.660 Repealed. 1978, Act 368, Eff. Sept. 30, 1978.**



**EXECUTIVE REORGANIZATION ORDER**  
**E.R.O. No. 1975-2**

**331.671 Transfer of nursing home rate setting functions from department of public health to department of social services.**

WHEREAS, a review of the Nursing Home Rate Setting functions of the Bureau of Health Care Administration, Michigan Department of Public Health, and the cost, audit and rate setting functions of the Bureau of Medical Assistance, Michigan Department of Social Services, reveal significant overlap and duplication; and

WHEREAS, such duplication and overlap of these primarily fiscal functions create confusion and internal problems for providers (nursing homes, hospitals, and medical care facilities) and result in loss of program effectiveness; and

WHEREAS, Article V, Section 2, of the Michigan Constitution of 1963, empowers the Governor to make changes in the organization of the executive branch or assignment of functions among its units which he considers necessary for efficient administration.

THEREFORE, I, WILLIAM G. MILLIKEN, Governor of the State of Michigan, pursuant to the authority vested in me by the provisions of Article V, Section 2, of the Michigan Constitution of 1963, do hereby order the following:

1. All the powers, duties, functions and responsibilities of the Department of Public Health with respect to nursing home rate setting is hereby transferred to the Department of Social Services.

2. All records, personnel and unexpended balances of appropriations, allocations and other funds used, held, employed, available, or to be made available to the Department of Public Health, Division of Nursing Home Rate Setting, are transferred to the Department of Social Services.

In fulfillment of the requirements of Article V, Section 2, of the Michigan Constitution, the provisions of this Order shall become effective February 20, 1976.

**History:** 1975, E.R.O. No. 1975-2, Eff. Feb. 20, 1976.

**ADULT FOSTER CARE FACILITY LICENSING ACT**  
**Act 287 of 1972**

**331.681-331.694 Repealed. 1979, Act 218, Eff. Mar. 27, 1980.**

**HOSPITAL CAPACITY REDUCTION CORPORATION ACT OF 1981**  
**Act 121 of 1981**

**331.701-331.713 Expired. 1981, Act 121, Eff. Dec. 31, 1985.**

**Compiler's note:** As to validity of enactment of "sunset provision" under Const 1963, art 4, § 24, see OAG, 1987-1988, No 6438 (May 21, 1987).

**MUNICIPAL HEALTH FACILITIES CORPORATIONS ACT**  
**Act 230 of 1987**

AN ACT to authorize certain local governmental units to incorporate municipal health facilities corporations and subsidiary municipal health facilities corporations for establishing, modifying, operating, and managing health services and acquiring, constructing, adding to, repairing, remodeling, renovating, equipping, and re-equipping hospitals and other health care facilities and related purposes; to provide for the application of this act to existing municipal hospitals and for the transfer of ownership of hospital funds and personal property; to validate and ratify the existence, organization, actions, proceedings, and board membership of existing organizations acting as county public hospitals; to provide for the appointment of trustees; to grant certain powers of a public body corporate to health facilities corporations and subsidiary health facilities corporations; to empower certain local governmental units to encumber property for the benefit of, transfer or make property available to, issue bonds to construct facilities to be used by, appropriate funds for, and levy a tax for, municipal health facilities corporations and subsidiary municipal health facilities corporations; to empower certain local governmental units to guarantee obligations of municipal health facilities corporations and subsidiary municipal health facilities corporations and to permit certain local governmental units to pledge their full faith and credit to pay such guaranties; to provide for transfer of ownership or operation of health care facilities and health services to nonprofit health care organizations; to authorize municipal health facilities corporations and subsidiary municipal health facilities corporations to borrow money and issue notes for the purposes of meeting expenses of operation and to issue corporation obligations for the purpose of acquisition, construction, repair, remodeling, equipping or re-equipping of health care facilities and for the refinancing, refunding, or refunding in advance of indebtedness of the municipal health facilities corporations or the subsidiary municipal health facilities corporations or of indebtedness of certain local governmental units undertaken on their behalf; to authorize municipal health facilities corporations and subsidiary municipal health facilities corporations to enter into mortgages, deeds of trust, and other agreements for security which may include provisions for the appointment of receivers; to exempt obligations and property of municipal health facilities corporations and subsidiary municipal health facilities corporations from taxation; and to provide other rights, powers, and duties of municipal health facilities corporations and subsidiary municipal health facilities corporations.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989.

*The People of the State of Michigan enact:*

CHAPTER 1

**331.1101 Short title.**

Sec. 101. This act shall be known and may be cited as the "municipal health facilities corporations act".

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989.

**331.1102 Legislative finding.**

Sec. 102. The health and welfare of the people of this state being a matter of primary public concern, the legislature finds that it is essential that local governmental units be provided with appropriate means and methods for the effective and efficient administration of hospitals in order to foster financial viability of local governmental units and the effective and efficient provision of health services, and for the establishment, maintenance, acquisition, expansion, renovation, financing, and refinancing of public health care facilities at reasonable cost. Therefore, the powers granted in this act constitute the performance of essential public purposes and governmental functions of this state and its local governmental units.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989.

**331.1103 Definitions.**

Sec. 103. As used in this act:

- (a) "Board of trustees" means the board of trustees of a corporation created under or governed by this act.
- (b) "City" means a city establishing a corporation incorporated under, or governed by, this act.
- (c) "City public hospital" means a health care facility that is owned or operated by a city.
- (d) "Corporation" means a municipal health facilities corporation incorporated under this act or created under 1913 PA 350, MCL 331.151 to 331.169, or under 1945 PA 109, MCL 331.201 to 331.213, and governed by this act. The term includes a restructured corporation.
- (e) "Corporation obligation" means a bond, note, or any other legal instrument issued by a corporation or

subsidiary corporation under chapter 4 that evidences indebtedness of a corporation or a subsidiary corporation, including principal, interest, and premiums, if any, on that indebtedness. Notes issued under section 401 are not considered corporation obligations.

(f) "County" means a county establishing a corporation incorporated under, or governed by, this act.

(g) "County public hospital" means a public corporation organized and existing or purportedly organized and existing under 1913 PA 350, MCL 331.151 to 331.169, or under 1945 PA 109, MCL 331.201 to 331.213, on the effective date of this act.

(h) "Direct provider of health care" means a person or organization whose primary current activity is providing health services to individuals. The term includes a person or organization licensed, certified, or registered under article 6 or 15 of the public health code, 1978 PA 368, MCL 333.6101 to 333.6523 and 333.16101 to 333.18838, or a professional corporation or other public or private organization composed of or employing direct providers of health care.

(i) "Health care facilities" means buildings, structures, or equipment suitable and intended for, or incidental or ancillary to, use in providing health services, including, but not limited to, hospitals; hospital long-term care units; infirmaries; sanatoria; nursing homes; medical care facilities; outpatient clinics; ambulatory care facilities; surgical and diagnostic facilities; hospices; clinical laboratories; shared service facilities; laundries; meeting rooms; classrooms and other educational facilities; students', nurses', interns', or physicians' residences; administration buildings; facilities for use as or by health maintenance organizations; facilities for ambulance operations, advanced mobile emergency care services, and limited advanced mobile emergency care services; research facilities; facilities for the care of dependent children; maintenance, storage, and utility facilities; parking lots and structures; garages; office facilities not less than 80% of the net leasable space of which is intended for lease to or other use by direct providers of health care; facilities for the temporary lodging of outpatients or families of patients; residential facilities for use by the aged or disabled; and all necessary, useful, or related equipment, furnishings, and appurtenances and all lands necessary or convenient as sites for the health care facilities described in this subdivision.

(j) "Health services" means 1 or more of the following:

(i) Diagnosis and medical and surgical treatment by direct providers of health care of persons suffering from illness, injury, and disability, including persons suffering from tuberculosis and other contagious and infectious diseases, and persons requiring maternity care, rehabilitation, psychiatric care, or substance abuse services; dentistry and related services; podiatric medicine and surgery; optometric services; psychological services; skilled, basic, and visiting nursing services and home health services; ambulance operations; advanced mobile emergency care services and limited advanced emergency services; physical, respiratory, and occupational therapy; health maintenance services; services for the prevention of illness, injury, and disability and for the promotion, maintenance, and improvement of public health and welfare; food services and care for dependent children, the disabled, and the elderly; and social work and chaplaincy services provided in conjunction with other health services described in this subparagraph.

(ii) Conduct of or participation in programs for the education and training of health services personnel, including undergraduate, internship, residency, postgraduate, and continuing education programs for physicians; schools and other training programs for nurses, technicians, therapists, pharmacists, and other health services personnel; and in-service education of employees of health care facilities.

(iii) Research relating to the cause, prevention, and treatment of illness, injury, and disability, and the protection, promotion, or improvement of public health and welfare.

(k) "Local governmental unit" means a county, city, or village.

(l) "Nonprofit health care organization" means a public body organized and existing under the laws of this state and authorized to provide health services, a nonprofit corporation incorporated under the nonprofit corporation act, 1982 PA 162, MCL 450.2101 to 450.3192, or a not-for-profit corporation incorporated under the laws of another state and qualified to do business in this state, that is organized and operated exclusively for charitable, scientific, educational, or religious purposes and authorized to provide health services, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(m) "Project costs" means the total of the reasonable or necessary costs incurred for carrying out the acquisition, construction, repair, remodeling, equipping, or re-equipping of health care facilities. The term includes, but is not limited to, any of the following costs: studies, surveys, plans, and specifications; architectural and engineering services; fees, charges, and expenses incurred in obtaining permits, approvals, and licenses for the acquisition, and initial operation of the health care construction, financing, facilities; legal, organizational, marketing, and other special services; acquisition, demolition, construction, equipment, and site development of new and rehabilitated buildings; rehabilitation, construction, repair, or remodeling of existing buildings; interest and carrying charges during construction and before full earnings are achieved but for a period not to exceed 3 years after the date of the corporation obligations; operating expenses before full

earnings are achieved, but for a period not to exceed 1 year following completion of construction; and reasonable reserves for payment of principal and interest on corporation obligations, not exceeding 15% of the principal amount of the corporation obligations. Project costs shall also include reimbursement of a corporation or a subsidiary corporation for any of the project costs described in this section expended before the issuance and delivery of the corporation obligations.

(n) "Restructured corporation" means a corporation that has completed the process described in section 305a.

(o) "Restructured subsidiary corporation" means a subsidiary corporation that has completed the process described in section 305a.

(p) "Subsidiary board" means the board of trustees of a subsidiary corporation.

(q) "Subsidiary corporation" means a subsidiary municipal health facilities corporation incorporated under this act. The term includes a restructured subsidiary corporation.

(r) "Trustee" means a person serving on a board of trustees or a subsidiary board.

(s) "Village" means a village establishing a corporation incorporated under, or governed by, this act.

(t) "Village public hospital" means a health care facility that is owned or operated by a village.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989;—Am. 2010, Act 331, Imd. Eff. Dec. 21, 2010.

## CHAPTER 2

### **331.1201 Question of establishing corporation; election required.**

Sec. 201. Any county board of commissioners of a county not having a county public hospital on the effective date of this act may incorporate 1 or more corporations under this act. Except as provided in sections 203 and 204, and except in counties having a population of 100,000 or more as determined by the most recent published federal decennial census, the question of establishing a corporation shall be presented to the county electors at a special or regular county election prior to incorporation. The election proceedings under this section shall be conducted in accordance with the Michigan election law, Act No. 116 of the Public Acts of 1954, being sections 168.1 to 168.992 of the Michigan Compiled Laws.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1202 Holding election; canvass; ballots.**

Sec. 202. An election required under section 201 shall be held at the usual places in the county for the election of county officers, the vote to be canvassed in the same manner as that for county officers. The ballots to be used at any election at which the question is submitted shall be printed with a statement as follows:

"Shall the county of \_\_\_\_\_ establish a county health facilities corporation in accordance with the terms of the county health facilities corporations act?

Yes \_\_\_ No \_\_\_".

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1203 Corporation as successor to county public hospital.**

Sec. 203. (1) Upon the expiration of 90 days after the effective date of this act, a county public hospital organized and existing under Act No. 350 of the Public Acts of 1913, being sections 331.151 to 331.169 of the Michigan Compiled Laws, or Act No. 109 of the Public Acts of 1945, being sections 331.201 to 331.213 of the Michigan Compiled Laws, on the effective date of this act shall be considered to be a corporation incorporated and existing under this act without the adoption or filing of articles of incorporation, without a vote of county electors, and without diminishing the terms of office of persons serving as trustees on the effective date of this act. A county public hospital shall not be considered to be a corporation incorporated and existing under this act upon the expiration of the 90-day period if, within the 90-day period, the county board of commissioners of the county in which the county public hospital is located passes a resolution prohibiting incorporation of the county public hospital under this act. Any such resolution shall be effective for not longer than 12 months after the date of passage. Before the expiration of the 12-month period, and annually thereafter, the county board of commissioners may pass a succeeding resolution prohibiting the incorporation of the county public hospital under this act. If the county board of commissioners fails to pass a succeeding resolution before the expiration of a 12-month period, the county public hospital automatically shall be incorporated under this act. The county board of commissioners of the county may at any time after the effective date of this act adopt articles of incorporation for the corporation in accordance with section 206. Until such time as any such articles of incorporation are effective, the provisions of this act shall be considered to constitute the articles of incorporation of the corporation. Unless and until articles of

incorporation providing different numbers of trustees or terms of office are effective, corporations governed by Act No. 350 of the Public Acts of 1913 on the effective date of this act shall have a board of 9 trustees serving 6-year terms, and corporations governed by Act No. 109 of the Public Acts of 1945 on the effective date of this act shall have a board of 5 trustees serving 3-year terms.

(2) Unless a resolution prohibiting incorporation of the county public hospital under this act has been passed and is in effect as provided in subsection (1), any county public hospital which has continuously operated for not less than the 15 years immediately preceding the effective date of this act and which has functioned or purported to function under Act No. 350 of the Public Acts of 1913, but which is unable to document compliance with sections 1, 2, and 3 of Act No. 350 of the Public Acts of 1913, being sections 331.151, 331.152, and 331.153 of the Michigan Compiled Laws, or any county public hospital which has continuously operated for not less than the 15 years immediately preceding the effective date of this act and which has functioned or purported to function under Act No. 109 of the Public Acts of 1945, but which is unable to document compliance with section 2 of Act No. 109 of the Public Acts of 1945, being section 331.202 of the Michigan Compiled Laws, shall be considered to be a corporation described in subsection (1). All actions taken by its board of hospital trustees in good faith prior to the effective date of this act shall be validated, ratified, and confirmed, provided the county public hospital files a notice of its intention to utilize this subsection with the county board of commissioners and the county clerk within 90 days after the effective date of this act. If necessary, the board of trustees shall be reconstituted in accordance with section 209(2), but without diminishing the terms of office of persons serving as trustees on the effective date of this act.

(3) Upon the expiration of 90 days after the effective date of this act, unless a resolution prohibiting incorporation of the county public hospital under this act has been passed and is in effect as provided in subsection (1), each corporation described in subsection (1) or (2) shall be considered to be the successor to the county public hospital for the county, and the terms of office of trustees shall continue. The corporation shall have all of the rights, privileges, immunities, and franchises of its predecessor county public hospital, all personal property, all debts due on whatever account, and all choses in action. All interests and licenses of or belonging to the county public hospital shall be considered to be transferred to and vested in the corporation without further act or deed. Such interests and licenses shall not be considered to have undergone any change of ownership for the purpose of any law or regulation, nor shall the fiscal year of any county public hospital be considered to have ended solely because this act takes effect. The title to any real estate, or any interest in real estate, vested in any county or county public hospital, shall not revert or in any way be impaired because a corporation succeeds a county public hospital pursuant to this act.

(4) Upon the expiration of 90 days after the effective date of this act, unless a resolution prohibiting incorporation of the county public hospital under this act has been passed and is in effect as provided in subsection (1), each corporation described in subsection (1) or (2) shall be considered to be the owner of all money and other property then deposited in the treasury of the county to the credit of the hospital fund and shall be entitled to all interest and other earnings accruing on those funds on and after the effective date of this act. The corporation shall be the owner of all other personal property used exclusively by or for the county public hospital. The treasurer of any county having custody of money and other property belonging to a corporation pursuant to this subsection shall arrange for the prompt transfer of such money and other property to the custody of the corporation.

(5) Upon the expiration of 90 days after the effective date of this act, unless a resolution prohibiting incorporation of the county public hospital under this act has been passed and is in effect as provided in subsection (1), each corporation described in subsection (1) or (2) shall be the employer of all persons employed by the county public hospital and shall assume and be bound by any labor agreement in existence on the effective date of this act and applicable to the county public hospital, but shall not be subject to greater obligations with respect to the terms, conditions, or duration of employment than was the county public hospital immediately preceding the effective date of this act. A representative of the employees or a group of employees who is entitled to represent the employees or group of employees under Act No. 336 of the Public Acts of 1947, being sections 423.201 to 423.216 of the Michigan Compiled Laws, shall continue to be the representative of the employees or group of employees. This subsection does not limit the rights of the hospital employees, under applicable law, to assert that a bargaining representative protected by this subsection is no longer the representative of the employees.

(6) Upon the expiration of 90 days after the effective date of this act, unless a resolution prohibiting incorporation of the county public hospital under this act has been passed and is in effect as provided in subsection (1), each corporation described in subsection (1) or (2) shall be responsible and liable for all liabilities and obligations of the county public hospital it succeeds. A claim existing or an action or proceeding pending by or against a county public hospital may be prosecuted by the corporation succeeding it in the name of the county public hospital, or the corporation may be substituted. The rights of creditors and

any lien upon the property of a county or a county public hospital existing on the effective date of the act shall not be impaired.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1204 Organization of health care facilities.**

Sec. 204. Any county owning and operating a county hospital pursuant to charter or any statute other than Act No. 350 of the Public Acts of 1913, or Act No. 109 of the Public Acts of 1945, may organize any or all of the health care facilities, other than county medical care facilities, as a corporation under this act by the adoption and filing of articles of incorporation in accordance with section 206 without a vote of the county electors.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1205 Corporation or subsidiary corporation; incorporation; name.**

Sec. 205. If, in accordance with sections 201 and 202, a majority of all the votes cast upon the question are in favor of establishing a corporation, or if no vote of the electors is required for the establishment of a corporation pursuant to section 201 or 204, the county board of commissioners may incorporate a corporation in order to implement or further the public purposes stated in section 102 through the exercise of all or some of the powers provided in this act. The board of trustees of a corporation may incorporate 1 or more subsidiary corporations in order to implement or further the public purposes stated in section 102 through the exercise of all or some of the powers provided in this act. The county board of commissioners shall adopt a suitable name for any corporation which it incorporates. The board of trustees of a corporation shall adopt a suitable name for any subsidiary corporation which it incorporates.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1206 Articles of incorporation; approval; contents.**

Sec. 206. Except as provided in section 203, the incorporation of a corporation by a county shall be accomplished by approval of articles of incorporation by resolution of the county board of commissioners. The incorporation of a subsidiary corporation by a county shall be accomplished by approval of articles of incorporation by resolution of the county board of commissioners. The articles of incorporation of a corporation or subsidiary corporation established by a county shall set forth the name of the corporation or subsidiary corporation; the purposes for which it is created, which may include all of the purposes for which a corporation or subsidiary corporation may be organized under this act; the number, terms, and manner of selection of the officers of its board of trustees or subsidiary board, which shall include a chairperson and a secretary, and a general description of their respective powers and duties; the date upon which the incorporation becomes effective; and the name of the newspaper in which the articles of incorporation shall be published. The articles of incorporation of a subsidiary corporation shall also contain the name of the corporation acting as its parent, and shall specify the size of the subsidiary board in accordance with section 209(1). The articles of incorporation of a corporation established by a county may specify transactions otherwise within the powers of its board of trustees which shall require approval by resolution of the county board of commissioners, and may also contain other matters considered expedient to be included in the articles of incorporation. The articles of incorporation of a subsidiary corporation incorporated by a county may specify transactions otherwise within the powers of its subsidiary board which shall require approval by resolution of the board of trustees of its designated parent corporation, and may also contain other matters considered expedient to be included in the articles of incorporation.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1994, Act 398, Imd. Eff. Dec. 29, 1994.

### **331.1207 Articles of incorporation; execution; delivery; filing; publication; certificate; effective date of incorporation; validity of incorporation conclusively presumed; section inapplicable to articles of incorporation of restructured corporation or subsidiary.**

Sec. 207. (1) The articles of incorporation of a corporation incorporated by a county shall be executed in duplicate by the chairperson of the county board of commissioners or other commissioner designated by the county board of commissioners. The articles of incorporation of a subsidiary corporation of a corporation incorporated by a county shall be executed in duplicate by the chairperson of the board of trustees of the parent corporation, or other trustee designated by the board of trustees. The articles of incorporation shall then be delivered to the county clerk who shall file 1 copy in his or her office and the other with the secretary of the corporation or subsidiary corporation when a secretary is selected. The county clerk shall cause a copy of the articles of incorporation to be published once in a newspaper designated in the articles of incorporation and circulating within the county accompanied by a statement that the right exists to question the validity of

the incorporation in court as provided in this section.

(2) The county clerk shall file 1 printed copy of articles of incorporation delivered to him or her under subsection (1) with the secretary of state and 1 printed copy in his or her office. The county clerk shall attach to each of the printed copies his or her certificate setting forth that the copy is a true and complete copy of the original articles of incorporation on file in his or her office.

(3) The incorporation of a corporation or a subsidiary corporation described in this section is effective at the time provided in the articles of incorporation.

(4) The validity of the incorporation of a corporation or a subsidiary corporation described in this section is conclusively presumed unless questioned in a court of competent jurisdiction within 60 days after the certified copy of the articles of incorporation of that corporation or subsidiary corporation is filed with the secretary of state under subsection (2).

(5) This section does not apply to articles of incorporation of a restructured corporation or restructured subsidiary corporation described in section 305a.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 2010, Act 331, Imd. Eff. Dec. 21, 2010.

### **331.1208 Articles of incorporation; amendment.**

Sec. 208. (1) The articles of incorporation of a corporation incorporated by a county may be amended by resolution approved by the affirmative vote of a majority of the members serving on the county board of commissioners. The articles of incorporation of a subsidiary corporation of a corporation incorporated by a county may be amended by resolution approved by the affirmative vote of a majority of the trustees serving on the board of trustees of the parent corporation.

(2) The county clerk shall file certified copies of any amendment to the articles of incorporation of a corporation or subsidiary corporation approved under subsection (1) in his or her office, with the secretary of state, and with the secretary of the corporation or subsidiary corporation. The amendment is effective when filed with the secretary of state unless a later effective date is specified in the resolution adopting the amendment. This subsection does not apply to an amendment to the articles of incorporation of a restructured corporation or a restructured subsidiary corporation.

(3) The articles of incorporation of a corporation or subsidiary corporation described in this section may be amended to include any provision that could be lawfully included in articles of incorporation initially adopted under this act at the time the amendment is approved, and may provide for the alteration or changing of the name, structure, organization, purposes, powers, programs, or activities of the corporation or subsidiary corporation. However, an amendment shall not be effective to impair the obligation of a corporation obligation, bond, note, or contract.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 2010, Act 331, Imd. Eff. Dec. 21, 2010.

### **331.1209 Board of trustees and subsidiary board incorporated by county; appointment and terms of trustees; qualifications; oath; removal from office; notice of hearing; hearing; vote.**

Sec. 209. (1) All of the following apply to each board of trustees of a corporation and subsidiary board of a subsidiary corporation incorporated by a county:

(a) The board shall consist of at least 5 and not more than 15 trustees. The exact number of trustees and the length of their terms of office shall be as specified in the articles of incorporation or as provided under section 203(1).

(b) Except for the initial appointments to a board of trustees or subsidiary board of a newly incorporated corporation or subsidiary corporation, the term of office of a trustee begins on January 1.

(c) The term of office of a trustee appointed to fill a vacancy on a board of trustees or subsidiary board begins when he or she is appointed and continues for the remainder of the term of the former trustee whose position became vacant.

(d) Terms of office of trustees shall be staggered so that an approximately equal number of terms expire at the end of each year or each 2 years, except that terms may be fixed so that the shortest terms do not expire until the end of the second year following the incorporation of a corporation or a subsidiary corporation.

(e) A trustee whose term of office has expired shall continue to serve until his or her successor is appointed.

(f) The chief executive of a corporation established by a county and governed by 1913 PA 350, MCL 331.151 to 331.169, shall serve as a member of the board of trustees until and unless the duly adopted articles of incorporation provide otherwise. The chief executive officer of any other corporation or subsidiary corporation established by a county is eligible to serve on the board of trustees or a subsidiary board, either by appointment or, if provided in the articles of incorporation, ex officio.

(2) If a county incorporates a corporation under this act, the county board of commissioners shall appoint the initial board of trustees. After the initial board of trustees, when a trustee's term of office expires or if a trustee's office is otherwise vacant, the remaining members of the board of trustees shall fill the vacancy with the advice and consent of the county board of commissioners. This subsection does not apply to an ex officio member of a board of trustees who is appointed by a chief executive officer.

(3) Adoption of articles of incorporation for a corporation succeeding a county public hospital organized and existing under 1913 PA 350, MCL 331.151 to 331.169, or 1945 PA 109, MCL 331.201 to 331.213, on February 27, 1988 does not constitute incorporation of a corporation for purposes of subsection (2). The terms of office of trustees serving on the board of that county public hospital shall not be diminished, except that the adopted articles may prospectively establish new lengths of terms of office for the board of trustees, and may prospectively alter the board size.

(4) If a county incorporates a subsidiary corporation, the board of trustees of the parent corporation shall appoint the initial subsidiary board with the advice and consent of the county board of commissioners. After the initial subsidiary board, when a trustee's term of office expires or if a trustee's office is otherwise vacant, the board of trustees of the parent corporation shall fill the vacancy with the advice and consent of the county board of commissioners. This subsection does not apply to an ex officio member of a subsidiary board who is appointed by a chief executive officer.

(5) A trustee of a corporation or subsidiary corporation established by a county shall be chosen based on his or her qualifications for that office, but not more than 1/3 of the trustees serving at any time shall be direct providers of health care. A trustee shall be a resident of the county unless the articles of incorporation permit individuals who are not residents of the county to be a trustee. A trustee of the parent corporation, the chief executive officer of the parent corporation, and the chief executive officer of a subsidiary corporation are eligible for appointment to a subsidiary board and a trustee or chief executive officer of a parent corporation are eligible for appointment as chief executive officer of a subsidiary corporation, and those offices are not incompatible. A trustee is eligible for reappointment.

(6) Within 9 days after commencing his or her term of office, a trustee shall take the oath of office as provided in section 1 of article XI of the state constitution of 1963.

(7) A trustee of a corporation incorporated by a county may be removed from office for cause either by vote of a majority of the members then serving on the county board of commissioners or by vote of a majority of the members then serving on the board of trustees of the corporation. A trustee of a subsidiary corporation incorporated by a county may be removed from office for cause either by vote of a majority of the members then serving on the county board of commissioners or by vote of a majority of the members then serving on the board of trustees of the parent corporation. As used in this subsection, "cause" includes, but is not limited to, incompetency to properly exercise duties; official misconduct; or habitual or willful neglect of duty, including, but not limited to, failure to attend meetings, including committee meetings, in accordance with standards determined by the board of trustees of the corporation or subsidiary board.

(8) A trustee shall not be removed from office on grounds of misconduct or neglect unless the trustee is served with a notice of hearing and a copy of the asserted ground for removal, and is given full opportunity to be heard, either in person or by counsel, before a vote is taken on the question of removal from office.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1994, Act 398, Imd. Eff. Dec. 29, 1994;—Am. 2011, Act 195, Imd. Eff. Oct. 18, 2011.

### **331.1210 Board of trustees and subsidiary board; quorum; action by vote of majority.**

Sec. 210. A majority of the trustees serving on a board or subsidiary board shall constitute a quorum for the transaction of business of the corporation or subsidiary corporation, respectively. Except as otherwise specifically provided in this act, actions taken by a board of trustees or subsidiary board shall be by a vote of a majority of the members serving on the board or subsidiary board.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1211 Availability of writings to public; confidentiality.**

Sec. 211. A writing prepared, owned, used, in the possession of, or retained by a board of trustees or subsidiary board in the performance of an official function shall be made available to the public in compliance with the freedom of information act, Act No. 442 of the Public Acts of 1976, being sections 15.231 to 15.246 of the Michigan Compiled Laws. This section does not abrogate any confidentiality provisions established by state or federal law, including, but not limited to, those pertaining to the provision or review of health services.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.



**331.1212 Compensation of trustees; bond; trustees as public servants; conflicts of interest; disclosure.**

Sec. 212. (1) Each trustee of a corporation or subsidiary corporation may receive compensation as shall be established by the county board of commissioners for his or her services as a trustee, including, but not limited to, attendance at meetings of the board of trustees or subsidiary board, or their committees, and per diem and travel expenses, at rates approved by the county board of commissioners. A trustee may receive reimbursement for other necessary expenses which are properly substantiated and approved by the board of trustees or subsidiary board. A corporation or subsidiary corporation may provide travel and accident insurance for its trustees.

(2) A bond shall not be required for trustees or officers of corporations or subsidiary corporations.

(3) Trustees shall be considered public servants subject to Act No. 317 of the Public Acts of 1968, being sections 15.321 to 15.330 of the Michigan Compiled Laws, to the extent provided in that act, and subject to any other applicable law with respect to conflict of interest. A board of trustees may establish policies and procedures for a corporation and any subsidiary corporations requiring periodic disclosure of relationships which may give rise to conflicts of interest. A board of trustees may require that a trustee who has a direct interest in any matter before a corporation or a subsidiary corporation disclose the trustee's interest and any reasons reasonably known to the trustee why the transaction may not be in the best interest of the corporation or the subsidiary corporation before the corporation or subsidiary corporation takes any action with respect to the matter. The disclosure shall become part of the record of the corporation's or subsidiary corporation's proceedings.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

**331.1213 Corporation and subsidiary corporation as body corporate; power to sue and be sued; official seal; liability or debt.**

Sec. 213. Each corporation and subsidiary corporation organized or existing under this act shall be a body corporate with power to sue and be sued and to adopt an official seal and alter it at its discretion. A debt, claim, liability, corporation obligation, note, bond, or other obligation incurred by a corporation or a subsidiary corporation after the effective date of this act shall not be a liability or debt of or enforceable against the county, except as specifically otherwise provided by written agreement of the county approved by its board of commissioners. A debt, claim, liability, corporation obligation, note, bond, or other obligation incurred by a subsidiary corporation shall not be a liability or debt of or enforceable against its parent corporation or another subsidiary corporation nor shall any debt, claim, liability, corporation obligation, note, bond, or other obligation incurred by a corporation be a liability or debt of or enforceable against its subsidiaries, except as specifically otherwise provided in writing duly authorized by the corporation or subsidiary corporation charged.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

**331.1251 Public hospital or other health care facility; incorporation of corporation; election required.**

Sec. 251. The city council of a city or the village council of a village that owns or operates a public hospital may incorporate 1 or more corporations under this act. The city council of a city or the village council of a village that does not own or operate a public hospital may also establish such a hospital or other health care facility, or both, by incorporating 1 or more corporations under this act. The question of establishing 1 or more corporations under this act shall be presented to the city or village electors at a special or regular city or village election before incorporation. An election under this section shall be conducted pursuant to the Michigan election law, Act No. 116 of the Public Acts of 1954, being sections 168.1 to 168.992 of the Michigan Compiled Laws.

**History:** Add. 1988, Act 502, Eff. Jan. 1, 1989.

**331.1252 Election; place; canvassing vote; ballots.**

Sec. 252. An election required under section 251 shall be held at the usual places in the city or village for the election of city or village officers, the vote to be canvassed in the same manner as that for city or village officers. The ballots to be used at any election at which the question is submitted shall be printed with a statement as follows:

"Shall the city (or village) of \_\_\_\_\_ establish a health facilities corporation in accordance with the terms of the municipal health facilities corporations act?

Yes \_\_\_ No \_\_\_".

**History:** Add. 1988, Act 502, Eff. Jan. 1, 1989.

**331.1253 Corporation as successor to city or village public hospital; terms of trustees continued; rights, privileges, immunities, and franchises, personal property, debts, and choses in action; interests and licenses; title or interest in real estate; transfer of money and other property; corporation as employer; labor agreement; bargaining representative; liabilities and obligations; claims; pending action or proceeding; rights of creditors; liens.**

Sec. 253. (1) If the city or village electors approve the incorporation of a corporation under this act, the corporation shall be considered to be the successor to the city public hospital for the city or the village public hospital for the village, and the terms of office of the trustees of the city public hospital or village public hospital shall continue. The corporation shall have all of the rights, privileges, immunities, and franchises of its predecessor city public hospital or village public hospital, all personal property, all debts due on whatever account, and all choses in action. All interests and licenses of or belonging to the city public hospital or village public hospital shall be considered to be transferred to, and vested in, the corporation without further act or deed. Such interests and licenses shall not be considered to have undergone any change of ownership for the purpose of any law or regulation, nor shall the fiscal year of any city public hospital or village public hospital be considered to have ended solely because the city or village incorporates a corporation under this act. The title to any real estate, or any interest in real estate, vested in any city or city public hospital or village or village public hospital, shall not revert or in any way be impaired because a corporation succeeds a city public hospital or village public hospital pursuant to this act.

(2) A corporation incorporated by a city or village under this act shall be considered to be the owner of all money and other property then deposited in the treasury of the city or village to the credit of the hospital fund and shall be entitled to all interest and other earnings accruing on those funds on and after the effective date of the incorporation. The corporation shall be the owner of all other personal property used exclusively by or for the city public hospital or village public hospital. The treasurer of any city or village having custody of money and other property belonging to a corporation pursuant to this subsection shall arrange for the prompt transfer of such money and other property to the custody of the corporation.

(3) A corporation incorporated by a city or village under this act shall be the employer of all persons employed by the city public hospital or village public hospital and shall assume and be bound by any labor agreement in existence on the effective date of the incorporation and applicable to the city public hospital or village public hospital, but shall not be subject to greater obligations with respect to the terms, conditions, or duration of employment than was the city public hospital or village public hospital immediately preceding the effective date of the incorporation. A representative of the employees or a group of employees who is entitled to represent the employees or group of employees under Act No. 336 of the Public Acts of 1947, being sections 423.201 to 423.216 of the Michigan Compiled Laws, shall continue to be the representative of the employees or group of employees. This subsection does not limit the rights of the hospital employees, under applicable law, to assert that a bargaining representative protected by this subsection is no longer the representative of the employees.

(4) A corporation incorporated by a city or village under this act shall be responsible and liable for all liabilities and obligations of the city public hospital or village public hospital it succeeds. A claim existing or an action or proceeding pending by or against a city public hospital or village public hospital may be prosecuted by the corporation succeeding it in the name of the city public hospital or village public hospital, or the corporation may be substituted. The rights of creditors and any lien upon the property of a city or a city public hospital or a village or village public hospital existing on the effective date of the incorporation shall not be impaired.

**History:** Add. 1988, Act 502, Eff. Jan. 1, 1989.

**331.1254 Incorporation of corporation and subsidiary corporations; names.**

Sec. 254. If, in accordance with sections 251 and 252, a majority of all the votes cast upon the question are in favor of establishing a corporation, the city council or village council may incorporate a corporation in order to implement or further the public purposes stated in section 102 through the exercise of all or some of the powers provided in this act. The board of trustees of a corporation may incorporate 1 or more subsidiary corporations in order to implement or further the public purposes stated in section 102 through the exercise of all or some of the powers provided in this act. The city council or village council shall adopt a suitable name for any corporation which it incorporates. The board of trustees of a corporation shall adopt a suitable name for any subsidiary corporation which it incorporates.

**History:** Add. 1988, Act 502, Eff. Jan. 1, 1989.

**331.1255 Articles of incorporation generally.**

Sec. 255. The incorporation of a corporation by a city or village shall be accomplished by approval of articles of incorporation by resolution of the city council or village council. The incorporation of a subsidiary corporation shall be accomplished by approval of articles of incorporation by resolution of the city council or village council. The articles of incorporation shall set forth the name of the corporation or subsidiary corporation; the purposes for which it is created, which may include all of the purposes for which a corporation or subsidiary corporation may be organized under this act; the number, terms, and manner of selection of the officers of its board of trustees or subsidiary board, which shall include a chairperson and a secretary, and a general description of their respective powers and duties; the date upon which the incorporation shall become effective; and the name of the newspaper in which the articles of incorporation shall be published. The articles of incorporation of a subsidiary corporation shall also contain the name of the corporation acting as its parent, and shall specify the size of the subsidiary board in accordance with section 258(2). The articles of incorporation of a corporation may specify transactions otherwise within the powers of its board of trustees which shall require approval by resolution of the city council or village council, and may also contain other matters considered expedient to be included in the articles of incorporation. The articles of incorporation of a subsidiary corporation may specify transactions otherwise within the powers of its subsidiary board which shall require approval by resolution of the board of trustees of its designated parent corporation, and may also contain other matters considered expedient to be included in the articles of incorporation.

**History:** Add. 1988, Act 502, Eff. Jan. 1, 1989.

**331.1256 Articles of incorporation; execution; delivery; publication; filing; certificate; effective date; validity of incorporation; section inapplicable to articles of incorporation of restructured corporation or subsidiary.**

Sec. 256. (1) The articles of incorporation of a corporation incorporated by a city or village shall be executed in duplicate by the chairperson of the city council or the president of the village council or other member of the city council or village council designated by the city council or village council. The articles of incorporation of a subsidiary corporation of a corporation incorporated by a city or village shall be executed in duplicate by the chairperson of the board of trustees of the parent corporation, or other trustee designated by the board of trustees. The articles of incorporation shall then be delivered to the city clerk or village clerk who shall file 1 copy in his or her office and the other with the secretary of the corporation or subsidiary corporation when a secretary is selected. The city clerk or village clerk shall cause a copy of the articles of incorporation to be published once in a newspaper designated in the articles of incorporation and circulating within the city or village accompanied by a statement that the right exists to question the validity of the incorporation in court as provided in this section.

(2) The city clerk or village clerk shall file 1 printed copy of articles of incorporation delivered to him or her under subsection (1) with the secretary of state and 1 printed copy in his or her office. The city clerk or village clerk shall attach to each of the printed copies his or her certificate setting forth that the copy is a true and complete copy of the original articles of incorporation on file in his or her office.

(3) The incorporation of a corporation or a subsidiary corporation described in this section is effective at the time provided in the articles of incorporation, but not before approval of the question of incorporation by the city or village electors under section 251.

(4) The validity of the incorporation of a corporation or a subsidiary corporation described in this section is conclusively presumed unless questioned in a court of competent jurisdiction within 60 days after the certified copy of the articles of incorporation of that corporation or subsidiary corporation is filed with the secretary of state under subsection (2).

(5) This section does not apply to articles of incorporation of a restructured corporation or restructured subsidiary corporation described in section 305a.

**History:** Add. 1988, Act 502, Eff. Jan. 1, 1989;—Am. 2010, Act 331, Imd. Eff. Dec. 21, 2010.

**331.1257 Articles of incorporation; amendment.**

Sec. 257. (1) The articles of incorporation of a corporation incorporated by a city or village may be amended by resolution approved by the affirmative vote of a majority of the members serving on the city council or village council. The articles of incorporation of a subsidiary corporation of a corporation incorporated by a city or village may be amended by resolution approved by the affirmative vote of a majority of the trustees serving on the board of trustees of the parent corporation.

(2) The city clerk or village clerk shall file certified copies of any amendment to the articles of incorporation of a corporation or subsidiary corporation approved under subsection (1) in his or her office, with the secretary of state, and with the secretary of the corporation or subsidiary corporation. The

amendment is effective when filed with the secretary of state unless a later effective date is specified in the resolution adopting the amendment. This subsection does not apply to an amendment to the articles of incorporation of a restructured corporation or a restructured subsidiary corporation.

(3) The articles of incorporation of a corporation or subsidiary corporation described in this section may be amended to include any provision that could be lawfully included in articles of incorporation initially adopted under this act at the time the amendment is approved, and may provide for the alteration or changing of the name, structure, organization, purposes, powers, programs, or activities of the corporation or subsidiary corporation. However, an amendment shall not be effective to impair the obligation of a corporation obligation, bond, note, or contract.

**History:** Add. 1988, Act 502, Eff. Jan. 1, 1989;—Am. 2010, Act 331, Imd. Eff. Dec. 21, 2010.

**331.1258 Board of trustees and subsidiary board incorporated by city or village; appointment and terms of trustees; qualifications; oath; removal from office; notice of hearing; hearing; vote.**

Sec. 258. (1) All of the following apply to each board of trustees and subsidiary board of a corporation incorporated by a city or village:

(a) The board shall consist of at least 5 and not more than 15 trustees. The exact number of trustees and the length of their terms of office shall be as specified in the articles of incorporation.

(b) Except for the initial appointments to a board of trustees or subsidiary board of a newly incorporated corporation or subsidiary corporation, the term of office of a trustee begins on January 1.

(c) The terms of office of trustees shall be staggered so that an approximately equal number of terms expire at the end of each year or each 2 years, except that terms may be fixed so that the shortest terms do not expire until the end of the second year following the incorporation of a corporation or a subsidiary corporation. A trustee whose term of office has expired shall continue to serve until his or her successor is appointed.

(2) If a city or village incorporates a corporation under this act, the city council or village council shall appoint the initial board of trustees. After the initial board of trustees, when a trustee's term of office expires or if a trustee's office is otherwise vacant, the remaining members of the board of trustees shall fill the vacancy with the advice and consent of the city council or village council. This subsection does not apply to an ex officio member of a board of trustees who is appointed by a chief executive officer.

(3) The terms of office of trustees serving on the board of a city public hospital or village public hospital before incorporation that is subsequently incorporated under this act shall not be diminished, except that the articles of incorporation for that successor corporation may prospectively establish new lengths of terms of office for the board of trustees, and may prospectively alter the board size.

(4) If a city or village incorporates a subsidiary corporation, the board of trustees of the parent corporation shall appoint the initial subsidiary board with the advice and consent of the city council or village council. After the initial subsidiary board, when a trustee's term of office expires or if a trustee's office is otherwise vacant, the board of trustees of the parent corporation shall fill the vacancy with the advice and consent of the city council or village council. This subsection does not apply to an ex officio member of a subsidiary board who is appointed by a chief executive officer.

(5) A trustee of a corporation or subsidiary corporation established by a city or village shall be chosen based on his or her qualifications for that office, but not more than 1/3 of the trustees serving at any time shall be direct providers of health care. The articles of incorporation of the corporation or subsidiary corporation may require that a trustee be a resident of the city or village. A trustee of the parent corporation, including its chief executive officer, and the chief executive officer of a subsidiary corporation are eligible for appointment to a subsidiary board, and those offices are not incompatible. A trustee is eligible for reappointment.

(6) Within 9 days after commencing his or her term of office, a trustee shall take the oath of office as provided in section 1 of article XI of the state constitution of 1963.

(7) A trustee of a corporation incorporated by a city or village may be removed from office for cause either by vote of a majority of the members then serving on the city council or village council or by vote of a majority of the members then serving on the board of trustees of the corporation. A trustee of a subsidiary corporation may be removed from office for cause either by vote of a majority of the members then serving on the city council or village council or by vote of a majority of the members then serving on the board of trustees of the parent corporation. As used in this subsection, "cause" includes, but is not limited to, incompetency to properly exercise duties; official misconduct; or habitual or willful neglect of duty, including, but not limited to, failure to attend meetings, including committee meetings, in accordance with standards determined by the board of trustees of the corporation or subsidiary board.

(8) A trustee shall not be removed from office on grounds of misconduct or neglect unless the trustee is served with a notice of hearing and a copy of the asserted ground for removal, and is given full opportunity to

be heard, either in person or by counsel, before a vote is taken on the question of removal from office.

**History:** Add. 1988, Act 502, Eff. Jan. 1, 1989;—Am. 1990, Act 273, Imd. Eff. Dec. 3, 1990;—Am. 2011, Act 195, Imd. Eff. Oct. 18, 2011.

### **331.1259 Board of trustees and subsidiary board; quorum; actions.**

Sec. 259. A majority of the trustees serving on a board or subsidiary board of a corporation incorporated by a city or village shall constitute a quorum for the transaction of business of the corporation or subsidiary corporation, respectively. Except as otherwise specifically provided in this act, actions taken by a board of trustees or subsidiary board shall be by a vote of a majority of the members serving on the board or subsidiary board.

**History:** Add. 1988, Act 502, Eff. Jan. 1, 1989.

### **331.1260 Board of trustees and subsidiary board; availability of writings to public; confidentiality.**

Sec. 260. A writing prepared, owned, used, in the possession of, or retained by a board of trustees or subsidiary board of a corporation incorporated by a city or village in the performance of an official function shall be made available to the public in compliance with the freedom of information act, Act No. 442 of the Public Acts of 1976, being sections 15.231 to 15.246 of the Michigan Compiled Laws. This section does not abrogate any confidentiality provisions established by state or federal law, including, but not limited to, those pertaining to the provision or review of health services.

**History:** Add. 1988, Act 502, Eff. Jan. 1, 1989.

### **331.1261 Board of trustees and subsidiary board; compensation and expenses; bond; trustees as public servants; policies and procedures; conflicts of interest; disclosure.**

Sec. 261. (1) Each trustee of a corporation or subsidiary corporation incorporated by a city or village may receive compensation as established by the city council or village council for his or her services as a trustee, including, but not limited to, attendance at meetings of the board of trustees or subsidiary board, or their committees, and per diem and travel expenses, at rates approved by the city council or village council. A trustee may receive reimbursement for other necessary expenses which are properly substantiated and approved by the board of trustees or subsidiary board. A corporation or subsidiary corporation may provide travel and accident insurance for its trustees.

(2) A bond shall not be required for trustees or officers of corporations or subsidiary corporations incorporated by a city or village.

(3) Trustees shall be considered public servants subject to Act No. 317 of the Public Acts of 1968, being sections 15.321 to 15.330 of the Michigan Compiled Laws, to the extent provided in that act, and subject to any other applicable law with respect to conflict of interest. A board of trustees may establish policies and procedures for a corporation and any subsidiary corporations requiring periodic disclosure of relationships which may give rise to conflicts of interest. A board of trustees may require that a trustee who has a direct interest in any matter before a corporation or a subsidiary corporation disclose the trustee's interest and any reasons reasonably known to the trustee why the transaction may not be in the best interest of the corporation or the subsidiary corporation before the corporation or subsidiary corporation takes any action with respect to the matter. The disclosure shall become part of the record of the corporation's or subsidiary corporation's proceedings.

**History:** Add. 1988, Act 502, Eff. Jan. 1, 1989.

### **331.1262 Corporation and subsidiary corporation as body corporate; powers; liability or debt.**

Sec. 262. Each corporation and subsidiary corporation incorporated by a city or village and organized under this act shall be a body corporate with power to sue and be sued and to adopt an official seal and alter the official seal at its discretion. A debt, claim, liability, corporation obligation, note, bond, or other obligation incurred by a corporation or a subsidiary corporation after the effective date of the incorporation shall not be a liability or debt of or enforceable against the city or village, except as specifically otherwise provided by written agreement of the city or village approved by the city council or village council. A debt, claim, liability, corporation obligation, note, bond, or other obligation incurred by a subsidiary corporation shall not be a liability or debt of or enforceable against its parent corporation or another subsidiary corporation nor shall any debt, claim, liability, corporation obligation, note, bond, or other obligation incurred by a corporation be a liability or debt of or enforceable against its subsidiaries, except as specifically otherwise provided in writing duly authorized by the corporation or subsidiary corporation charged.

**History:** Add. 1988, Act 502, Eff. Jan. 1, 1989.

## CHAPTER 3

### **331.1301 Corporation and subsidiary corporation; powers generally.**

Sec. 301. Each corporation and subsidiary corporation governed by this act shall possess all of the powers necessary to carry out the purposes of its incorporation and those incident thereto. Such powers shall be vested in and exercised by its board of trustees or subsidiary board. The enumeration of any powers in this act shall not be considered as a limitation upon the general powers of the corporation or subsidiary corporation.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1302 Bylaws.**

Sec. 302. Each corporation, and each subsidiary corporation with the approval of its parent corporation, may adopt and amend 1 or more sets of bylaws consistent with the applicable provisions of this act, the open meetings act, Act No. 267 of the Public Acts of 1976, being sections 15.261 to 15.275 of the Michigan Compiled Laws, its articles of incorporation, and other applicable law providing for conduct of its affairs and operation of its activities and health care facilities, which may include, but shall not be limited to, provisions with respect to the following:

(a) The frequency, call, and conduct of meetings of the board of trustees or subsidiary board.

(b) The powers and responsibilities of officers, including the chief executive officer.

(c) The size, manner of appointment, and term of committees, which, except as otherwise provided in the bylaws, may include persons who are not trustees, and the purposes and powers of such committees. Responsibility may be assigned to committees for monitoring implementation of policies adopted by the board of trustees or subsidiary board and for the formulation of budgets, plans, and policies and the development of other recommendations for adoption by the board of trustees or subsidiary board. Committees shall not be empowered to exercise governmental or proprietary authority or to perform a governmental or proprietary function.

(d) Procedures for appointment, removal, and discipline of medical staff or other direct providers of health care and for delineation of their clinical privileges, together with provisions for the organization of such staff for the purpose of reviewing and improving the health services provided, and for administrative and other purposes.

(e) The purposes, organization, and control of auxiliaries and other voluntary organizations supporting the work of the corporation or subsidiary corporation.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1303 Board of trustees and subsidiary board; powers generally.**

Sec. 303. Without limiting the powers described in section 301 and elsewhere in this act, each board of trustees and subsidiary board, in furtherance of its purposes and consistent with the provisions of its articles of incorporation, but subject to applicable licensing and other regulatory requirements, may do any or all of the following:

(a) Establish, modify, discontinue, operate, and manage health services, either alone or in conjunction with other entities.

(b) Select physicians and such other direct providers of health care as it may determine for membership on its medical staff, delineate the clinical privileges of direct providers of health care within its health care facilities, and provide for the termination, suspension, or restriction of medical staff membership and clinical privileges. In making appointments and reappointments to the medical staff and in granting or withdrawing clinical privileges, the board of trustees or subsidiary board shall consider training, experience, and other professional qualifications, and may also consider health status, professional liability coverage, the character and capacity of the health care facilities, the needs of the community served by the health care facility, and such other factors as such board of trustees or subsidiary board reasonably considers to be appropriate.

(c) Provide for the organization of physicians and such other direct providers of health care as it may determine into a medical staff and establish additional procedures for review of the professional practices in its health care facilities pursuant to the public health code, Act No. 368 of the Public Acts of 1978, being sections 333.1101 to 333.25211 of the Michigan Compiled Laws, and other applicable law.

(d) Establish reasonable rules and regulations for the provision of health services in its health care facilities, for the use of its health care facilities by patients, visitors, and others, and for management of its business and affairs.

(e) Employ a chief executive officer and such other employees as may be required to carry out its purposes; establish policies with respect to the duties, qualifications, compensation, benefits, and other terms

of employment of its employees; provide for participation by its employees in retirement or pension plans of the local governmental unit, establish its own retirement or pension plans, or participate in other public programs for the provision of retirement or pension benefits; establish rules for a system of civil service; and enter into collective bargaining and other agreements with respect to these matters. Each corporation and subsidiary corporation shall be considered to be a public employer separate from the local governmental unit.

(f) Establish reasonable fees and charges for the use of its health care facilities and for the health services it provides, and provide policies for the care of those unable to pay fully for their care at reduced rates or without charge.

(g) Enter into contracts and participate in programs with federal and state government, insurers, health care corporations, health maintenance organizations, prudent purchaser arrangements, alternative health care delivery and financing systems, employers, individuals, and other public and private entities, for the provision of health services and for the payment for health services furnished on any basis considered appropriate by the board of trustees and subsidiary board, including, but not limited to, payment prospectively or retrospectively determined based upon its full or discounted rates and charges or costs, or based upon fixed rates per individual, group, visit, procedure, or other unit of service. As used in this subdivision, "health care corporation" means a health care corporation incorporated under the nonprofit health care corporation reform act, Act No. 350 of the Public Acts of 1980, being sections 550.1101 to 550.1704 of the Michigan Compiled Laws.

(h) Make and execute contracts, leases, and all other agreements or instruments necessary or convenient to fulfill its purposes, including but not limited to, exclusive and nonexclusive contracts or leases with direct providers of health care for the provision of health services to patients or the operation of health care facilities or departments of health care facilities on its behalf and contracts, leases, agreements, and other instruments relating to the joint conduct of health services and the operation of programs for sharing of goods, services, or facilities with other direct providers of health care.

(i) Appoint 1 or more attorneys to serve as legal advisors and representatives.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989.

### **331.1304 Board of trustees and subsidiary board; additional powers.**

Sec. 304. Without limiting the powers described in section 301 and elsewhere in this act, each board of trustees and subsidiary board, in furtherance of its purposes and consistent with its articles of incorporation, but subject to applicable licensing and other regulatory requirements, may do any or all of the following:

(a) Establish sites for its health care facilities inside or outside the local governmental unit and relocate its health care facilities in the same municipality or elsewhere.

(b) Acquire by purchase, gift, devise, lease, sublease, installment purchase agreement, land contract, option, or by any other means, hold, and own in its own name health care facilities and interests therein and other real and personal property, including, but not limited to, interests in condominiums, and property subject to mortgages, security interests, or other liens, necessary or convenient to fulfill its purposes; and, for the purpose of condemnation, proceed under the uniform condemnation procedures act, Act No. 87 of the Public Acts of 1980, being sections 213.51 to 213.77 of the Michigan Compiled Laws, or other applicable statute.

(c) Construct, add to, repair, remodel, renovate, equip, and re-equip health care facilities and establish rules, regulations, or policies conforming with applicable law with respect to requirements for competitive bidding, advertising, advertising for bids and letting contracts. However, in all cases, the right to reject any and all bids shall be reserved.

(d) Dispose of its real and personal property by sale, lease, sublease, installment sale agreement, land contract, or other lawful means.

(e) Purchase, contract for, or acquire administrative, management, and other services necessary or convenient to the fulfillment of its purposes from the local governmental unit and from other sources and sell these services to the local governmental unit and to other public and private persons.

(f) Apply for, negotiate, receive, and accept gifts or grants of money, property, services, or other aid offered or made available to it, and comply, subject to the provisions of this act and other applicable law, with the terms of such gifts, grants, or other aid.

(g) Provide insurance, reinsurance, obtain indemnification or establish programs or trusts for self-insurance against loss in connection with its assets or any liability in connection with its activities. The insurance, reinsurance, indemnification, or self-insurance shall be in such forms and amounts, and from such sources, as it considers appropriate.

(h) Invest funds not immediately required for its purposes, funds accumulated to provide retirement or pension benefits, endowment funds created for charitable or educational purposes, and other funds in any manner in which a local governmental unit may then lawfully invest such property and loan its funds in

furtherance of its purposes.

(i) Borrow money from the local governmental unit in accordance with section 305(e) and enter into agreements for the repayment of the loans.

(j) Grant mortgages, security interests, and other liens in its real and personal property, sell and lease back its real and personal property, and pledge its property or revenues in furtherance of its purposes.

(k) Guarantee, in whole or in part, bonds, notes, and other obligations of the local governmental unit undertaken for its benefit and grant mortgages, security interests, and other liens in its real and personal property and pledge its property or revenues to secure obligations of the local governmental unit undertaken for its benefit, with or without guaranteeing such obligations.

(l) Transfer real or personal property to subsidiary corporations or parent corporations in furtherance of its purposes or the purposes of the subsidiary or parent corporations, with or without monetary consideration, and transfer money and other real and personal property not required to carry out its purposes to the local governmental unit.

(m) Guarantee, in whole or in part, corporation obligations, bonds, notes, and other obligations of a subsidiary corporation or a parent corporation.

(n) Grant mortgages, security interests, or other liens in its real and personal property and pledge its property or revenues to secure corporation obligations, bonds, notes, or other obligations of 1 or more of its subsidiary corporations or its parent corporation, with or without guaranteeing such obligations.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989.

### **331.1305 Powers of local governmental unit generally.**

Sec. 305. Subject to applicable licensing and other regulatory requirements, a local governmental unit may do any or all of the following:

(a) Acquire health care facilities by purchase, gift, devise, lease, sublease, installment purchase agreement, land contract, option, or other means; construct, add to, repair, remodel, renovate, equip, and reequip health care facilities for use, in whole or in part, by a corporation or a subsidiary corporation; borrow money and issue bonds in accordance with 1923 PA 118, MCL 141.61 to 141.66; enter into contracts of lease under 1948 (1st Ex Sess) PA 31, MCL 123.951 to 123.965; or enter into obligations under other applicable laws to acquire health care facilities. However, whether or not otherwise permitted by law, a local governmental unit shall not borrow funds, lease property, or acquire property pursuant to a lease purchase agreement with a local hospital authority incorporated under the hospital finance authority act, 1969 PA 38, MCL 331.31 to 331.84, nor shall a local governmental unit otherwise receive the proceeds of bonds issued by a local hospital authority, except as consideration for property transferred by the local governmental unit to a third party. Any bonding proposal requiring approval of the electors of a local governmental unit may be presented at the same election described in sections 201 and 202 or sections 251 and 252.

(b) Transfer or make available health care facilities and other real and personal property to a corporation or a subsidiary corporation by sale, lease, sublease, installment sale agreement, contract, or other means on terms, with or without monetary consideration, approved by the county board of commissioners, city council, or village council. A health care facility owned and operated by a corporation or a subsidiary corporation is not considered to be owned or operated by the local governmental unit.

(c) Grant mortgages, security interests, and other liens in, pledge or sell and lease back its interests in health care facilities and other real and personal property to secure bonds, notes, or other obligations of a corporation or subsidiary corporation, upon terms approved by the county board of commissioners, city council, or village council. The amount of the bonds, notes, or other obligations must not be included in computing the net bonded indebtedness of the local governmental unit for the purposes of debt limitations imposed by any constitutional, statutory, or charter provision, unless the local governmental unit pledges full faith and credit to the payment of the bond, note, or other obligation.

(d) Guarantee any corporation obligation, bond, note, or other obligation of a corporation or a subsidiary corporation on terms approved by the county board of commissioners, city council, or village council, and pledge specified revenues or assets of the local governmental unit or the full faith and credit of the local governmental unit to the payment of the guaranty. The resolution of the county board of commissioners, city council, or village council approving any guaranty which pledges the full faith and credit of the local governmental unit must contain a proviso that the resolution must not become effective and binding upon the local governmental unit until it has been approved by a majority of the electors voting at a special or regular local governmental unit election. The election proceedings under this subdivision must be conducted in accordance with the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992. The amount of any bonds, notes, or other obligations secured by a guaranty that pledges the full faith and credit of the local governmental unit must be included in computing the net bonded indebtedness of the local governmental unit



for the purposes of debt limitations imposed by any constitutional, statutory, or charter provision.

(e) Loan to a corporation or a subsidiary corporation money from the general fund of the local governmental unit or from funds not raised by taxation available to the local governmental unit for the acquisition of or improvements to health care facilities, operation of health services or for any other purpose of the corporation or subsidiary corporation, and enter into agreements with the borrowing corporation or subsidiary corporation for the repayment of those loans over a term not to exceed 30 years, with or without security.

(f) Appropriate money and transfer the money to 1 or more corporations or subsidiary corporations established by the local governmental unit for the acquisition of or improvements to health care facilities, operation of health services, or any other purpose of the corporations or subsidiary corporations. The total sums appropriated for those purposes each year from the general fund of the local governmental unit must be in addition to any taxes and appropriations to satisfy local governmental unit indebtedness under bonds, notes, or guaranties described in subdivisions (a) and (d). Money may be appropriated from funds not raised by taxation and available to the local governmental unit for those purposes without limitation.

(g) Notwithstanding subdivision (f), a county with a county public hospital organized and operated under 1945 PA 109, MCL 331.201 to 331.213, on February 27, 1988 may assess taxes not to exceed in any 1 year 1 mill on each dollar of assessed valuation of the county for the purpose of acquisition, construction, and operation of any health care facilities without a vote of county electors, and may appropriate money from its general fund for the acquisition, construction, and operation of any health care facilities without limitation.

(h) Enter into agreements or arrangements for a corporation or a subsidiary corporation to provide health services to local governmental unit employees, dependents of local governmental unit employees, indigents, or others, providing for payment for health services in any of the ways described in section 303(g).

(i) Sell, contract, or make available to corporations or subsidiary corporations established by the local governmental unit, administrative, management, and other services necessary or convenient to fulfill the purposes of the corporation or subsidiary corporation, and purchase the services from a corporation or subsidiary corporation that may be required for any local governmental unit purpose.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 497, Imd. Eff. Dec. 29, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989;—Am. 2002, Act 484, Imd. Eff. June 27, 2002;—Am. 2018, Act 312, Imd. Eff. June 29, 2018.

### **331.1305a Restructure of corporation or subsidiary corporation as nonprofit.**

Sec. 305a. (1) Subject to applicable licensing and other regulatory requirements, the requirements of the nonprofit act, and the requirements of this section, the board of trustees or the subsidiary board may restructure a corporation or subsidiary corporation as a nonprofit corporation subject to the nonprofit act if all of the following are met:

(a) The corporation or subsidiary corporation is located in a county that had a population of more than 5,000 and less than 7,500 as of the most recent federal decennial census.

(b) The restructuring is completed before June 30, 2025.

(2) A board of trustees or subsidiary board proposing to restructure a corporation or subsidiary corporation under this section must adopt a restructuring plan that includes all of the following:

(a) The terms and conditions of the proposed restructuring.

(b) The proposed articles of incorporation and bylaws that are to govern the restructured corporation or restructured subsidiary corporation. The articles and bylaws must comply with the requirements of the nonprofit act.

(3) If a restructuring plan described in subsection (2) is approved under this section, the corporation or subsidiary corporation shall file the articles of incorporation described in subsection (2)(b) with the administrator, in the manner provided in the nonprofit act.

(4) The effective date of a restructuring under this section is the effective date of the articles of incorporation under the nonprofit act. All of the following apply when a restructuring under this section takes effect:

(a) The restructured corporation or restructured subsidiary corporation is considered a continuation of the restructuring corporation or subsidiary corporation.

(b) The restructured corporation or restructured subsidiary corporation has all of the liabilities of the restructuring corporation or subsidiary corporation and the restructuring does not affect any obligations or liabilities of the corporation or subsidiary corporation incurred before the restructuring or the personal liability of any person incurred before the restructuring.

(c) The title to all real estate and other property and rights owned by the corporation or subsidiary corporation remain vested in the restructured corporation or restructured subsidiary corporation without reversion or impairment.

(d) The rights, privileges, powers, and interests in property of the corporation or subsidiary corporation, as well as the debts, liabilities, and duties of the corporation or subsidiary corporation, must not be considered, as a consequence of the restructuring, to have been transferred to the restructured corporation or restructured subsidiary corporation for any purpose of the laws of this state.

(e) A proceeding pending against the corporation or subsidiary corporation may be continued as if the restructuring had not occurred, or the restructured corporation or restructured subsidiary corporation may be substituted in the proceeding for the corporation or subsidiary corporation.

(f) The restructured corporation or restructured subsidiary corporation is considered to be the same entity that existed before the restructuring and is considered to be incorporated on the date that the corporation or subsidiary corporation was originally incorporated.

(g) The restructured corporation or restructured subsidiary corporation is subject to the nonprofit act and, except as otherwise provided in this act, is subject to this act.

(h) The articles of incorporation of the corporation or the subsidiary corporation filed with the county clerk under section 207 or the city clerk or village clerk under section 256 are considered terminated and the articles of incorporation filed under the nonprofit act apply to the corporation or subsidiary corporation. The corporation or subsidiary corporation shall deliver a copy of the articles of incorporation of the restructured corporation or restructured subsidiary corporation to that county clerk, city clerk, or village clerk, and the county clerk, city clerk, or village clerk will indicate in the county clerk's, city clerk's, or village clerk's records that the corporation or subsidiary corporation has restructured under this section and that the articles of incorporation previously filed with the county clerk, city clerk, or village clerk under section 207 or 256 are no longer in effect.

(i) The corporation or subsidiary corporation shall deliver a copy of the articles of incorporation of the restructured corporation or restructured subsidiary corporation to the secretary of state and notify the secretary of state that the articles of incorporation previously filed with the secretary of state by the county clerk, city clerk, or village clerk under section 207 or 256 are no longer in effect.

(5) A subsidiary board may not restructure a subsidiary corporation as a nonprofit corporation under this section without the prior approval of the board of trustees of its parent corporation to the restructuring.

(6) A board of trustees or subsidiary board may not restructure a corporation or subsidiary corporation under this section without the prior majority approval of the county board of commissioners, city council, or village council, as applicable.

(7) A board of trustees or subsidiary board may not restructure a corporation or subsidiary corporation under this section if the restructuring in any manner impairs the obligation of the corporation or subsidiary corporation with respect to any outstanding obligation, bond, note, or contract of that corporation.

(8) As used in this section:

(a) "Administrator" means that term as defined in section 105 of the nonprofit act, MCL 450.2105.

(b) "Nonprofit act" means the nonprofit corporation act, 1982 PA 162, MCL 450.2101 to 450.3192.

(c) "Nonprofit corporation" means a domestic corporation, as that term is defined in section 106 of the nonprofit act, MCL 450.2106.

**History:** Add. 2010, Act 331, Imd. Eff. Dec. 21, 2010;—Am. 2016, Act 45, Imd. Eff. Mar. 15, 2016;—Am. 2017, Act 148, Imd. Eff. Nov. 2, 2017;—Am. 2023, Act 319, Imd. Eff. Dec. 14, 2023.

### **331.1306 Board of trustees or subsidiary board; sale or transfer of ownership or operation; terms; acceptance of notes, bonds, or obligations; discrimination prohibited; approval of transfer; transfer not to impair corporate obligation, bond, note, or contract.**

Sec. 306. (1) Subject to applicable licensing and other regulatory requirements, and subject to the requirements of this section, a board of trustees or a subsidiary board may enter into and carry out agreements for the sale or transfer of the ownership of a corporation or subsidiary corporation, or the sale or transfer of ownership or operation of some or all of the health care facilities and related assets or health services of the corporation or subsidiary corporation, to a nonprofit health care organization or to a public authority on behalf of a nonprofit health care organization by sale, installment sales agreement, land contract, lease, lease with an option to purchase, sublease, contract, option, or by any other means.

(2) In establishing the terms of a sale or transfer described in subsection (1), the board of trustees or subsidiary board may take into account, in addition to the monetary consideration for the sale or transfer, if any, 1 or more of the following:

(a) The ability and willingness of the nonprofit health care organization to continue to provide health services to residents of the local governmental unit.

(b) The assumption by the nonprofit health care organization of liabilities, obligations, and risks associated with ownership or operation of the corporation, subsidiary corporation, or health care facilities and health

services sold or transferred, including those associated with outstanding bonds, notes and obligations, pension, retirement, and other benefits for employees and employees and conditions attached to public or private grants.

(c) The willingness and ability of the nonprofit health care organization to provide services to those unable to pay fully for their care.

(d) The elimination of or reduction in support required for the corporation, subsidiary corporation, or health care facilities or health services from tax revenues or other public sources.

(e) The ability and willingness of the nonprofit health care corporation to expand or improve the corporation, subsidiary corporation, or health care facilities or health services being sold or transferred.

(f) Any other factors bearing on the health and welfare of the residents of the local governmental unit that the board of trustees or subsidiary board considers appropriate.

(3) A board of trustees or subsidiary board may accept secured or unsecured notes, bonds, or obligations given by or on behalf of a nonprofit health care organization or any other forms of payment that it considers appropriate in full or partial satisfaction of any monetary consideration provided under an agreement for a sale or transfer described in subsection (1).

(4) Any board of trustees or subsidiary board that sells or transfers a corporation, subsidiary corporation, or health facilities under this section shall require, for a term of not less than 30 years, that use of the health care facilities owned by the sold or transferred corporation or subsidiary corporation or the sold or transferred health care facilities shall be open to all regardless of race, religion, color, national origin, sex, age, disability, marital status, sexual preference, or source of payment, and that the nonprofit health care organization acquiring those health care facilities or that corporation or subsidiary corporation shall provide an equal opportunity for employment, without discrimination as to race, religion, color, national origin, sex, age, disability, marital status, or sexual preference.

(5) Any transfer made by a subsidiary board in reliance on this section shall be made only with the prior approval of the board of trustees of its parent corporation.

(6) Any sale or transfer of ownership of a corporation or subsidiary corporation under this section shall be made only with the prior approval of the county board of commissioners, city council, or village council. Any sale or transfer of ownership or operation of health care facilities or health services by a corporation or a subsidiary corporation under this section shall be made only with the prior approval of the county board of commissioners, city council, or village council, if either of the following applies:

(a) The health care facilities or health services to be transferred provided more than 10% of the gross revenues of the corporation or subsidiary corporation making the transfer, determined in accordance with generally accepted accounting principles, in either of the 2 full fiscal years of the corporation or subsidiary corporation completed immediately preceding the date of the transfer.

(b) A majority of the governing body of the nonprofit health care organization acquiring the health care facilities or health services is composed of persons who are also serving as trustees of the corporation or the subsidiary corporation making the transfer.

(7) Notwithstanding any other provision of this section, no sale or transfer under this section shall be made in such a way as to impair the obligation of the corporation or the subsidiary corporation with respect to any outstanding corporation obligation, bond, note, or contract.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989;—Am. 1998, Act 62, Imd. Eff. Apr. 20, 1998;—Am. 2010, Act 331, Imd. Eff. Dec. 21, 2010.

### **331.1307 Definitions; retention of employees; continuation of collective bargaining agreements; bargaining representative; standing of employee to commence action; rescission of transactions; continued participation in federal old age, survivors, and disability insurance benefits program.**

Sec. 307. (1) As used in this section:

(a) "Contractor" means an entity which enters into a contract or other agreement with a local governmental unit, corporation, or subsidiary corporation for the purpose of providing health services or for the management, administration, or operation of a health care facility or department of a health care facility, pursuant to section 303(h), 304(d), 304(e), 304(l), 305(b), 305(i), or 306. Contractor includes a local governmental unit, corporation, or subsidiary corporation.

(b) "Transferee" means an entity which receives, accepts, or comes into possession or an ownership or leasehold interest in a health care facility, department of a health care facility, or other real or personal assets of a health care facility pursuant to section 303(h), 304(d), 304(e), 304(l), 305(b), 305(i), or 306. Transferee includes a corporation, county, or subsidiary corporation.

(c) "Affected health care facility" means a health care facility or part or department of a health care facility

regularly employing 5 or more persons on a full-time basis or the equivalent which is the subject of any transaction made pursuant to section 303(h), 304(d), 304(e), 304(l), 305(b), 305(i), or 306.

(2) A local governmental unit, corporation, or subsidiary corporation shall not enter into a contract, lease, agreement, transfer, or other arrangement authorized in section 303(h), 304(d), 304(e), 304(l), 305(b), 305(i), or 306 with a contractor or transferee under which the contractor or transferee agrees or can reasonably be expected to continue the operation of the affected health care facility for the purpose of providing health services unless the local governmental unit, corporation, or subsidiary corporation agrees to retain the employees of the affected health care facility and continue all collective bargaining agreements covering such employees or unless the contractor or transferee agrees to all of the following:

(a) That all collective bargaining agreements in effect and covering employees of the affected health care facility shall be continued in full force and effect by the contractor or transferee.

(b) That employees of the affected health care facility shall be employed by the contractor or transferee and shall not be replaced with new employees, except in accordance with applicable collective bargaining agreements and with policies applicable to the affected health care facility existing on the date of such contract, lease, agreement, transfer, or other arrangement.

(c) That the contractor or transferee shall continue the terms and conditions of employment of employees of the affected health care facility.

(d) That the contractor or transferee shall grant recognition to each collective bargaining agent of employees of the affected health care facility which had representation rights on the date of the contract, agreement, or other arrangement. However, a contract, lease, agreement, transfer, or other arrangement may permit such modifications of the obligations of the contractor or transferee as may be required to conform to an order of the national labor relations board in appropriate proceedings.

(3) This section does not limit employees' rights, under applicable law, to assert that their bargaining representative is no longer representative of the employee.

(4) If a local governmental unit, corporation, or subsidiary corporation enters into an agreement providing for a transaction that is subject to subsection (2), an employee of the affected health care facility or the collective bargaining agent of such an employee shall have standing to commence an action in the circuit court for the county to determine if the transaction is in compliance with subsection (2), if the action is commenced within 90 days after written notice by the local governmental unit, corporation, or subsidiary corporation to the employees and collective bargaining agent of the affected health care facility of the execution of such agreement. If the court determines that the agreement is not in compliance with subsection (2), and if the local governmental unit, corporation, or the subsidiary corporation and the contractor or transferee do not agree to amendments making the agreement in compliance with subsection (2), the court shall declare the agreement void and of no effect and provide for rescission of the transactions provided for under the agreement.

(5) An employee of a county public hospital, city public hospital, village public hospital, or other health care facility who, on the effective date of this act, participates in the federal old age, survivors, and disability insurance benefits program through a voluntary agreement made pursuant to section 218 of title II of the social security act, 42 U.S.C. 418, shall continue to participate in the program if the individual is employed by a corporation or subsidiary corporation pursuant to this act.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989.

## CHAPTER 4

### **331.1401 Board of trustees or subsidiary board; power to borrow money and issue notes; resolution; applicability of revised municipal finance act.**

Sec. 401. (1) A board of trustees or subsidiary board may borrow money and issue notes, which shall mature not more than 18 months from the date of their issuance, for the purpose of meeting current expenses of operation and maintenance of its health care facilities and health services. The resolution authorizing the issuance of the notes shall provide for the pledging of income and revenues of the corporation or subsidiary corporation for the payment of the notes, and may also provide for a special sinking fund into which there shall be paid as collected, a sufficient fund from the revenues of the corporation or subsidiary corporation to retire both the principal and interest of the notes at or before maturity. The resolution may also provide for the mortgaging, pledging, or granting of security interests or other liens in other assets of the corporation or subsidiary corporation as additional security for the payment of the notes.

(2) Except as provided in subsection (3), notes issued under this section are not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821. The issuance of notes described in this subsection is subject to the agency financing reporting act.

(3) Notes issued under this section that pledge the full faith and credit of the corporation are subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989;—Am. 2002, Act 395, Imd. Eff. May 30, 2002.

### **331.1402 Corporation or subsidiary corporation; additional powers; prohibited conduct.**

Sec. 402. In addition to the powers provided elsewhere in this act, a corporation or subsidiary corporation may, subject to approval of the county board of commissioners, city council, or village council, borrow money, issue bonds, and exercise the powers provided in the revenue bond act of 1933, Act No. 94 of the Public Acts of 1933, being sections 141.101 to 141.139 of the Michigan Compiled Laws, or issue bonds, notes, or other obligations pursuant to other applicable law. However, whether or not otherwise permitted by law, a corporation or a subsidiary corporation shall not borrow funds from, lease property from, or acquire property pursuant to a lease purchase agreement with a local hospital authority incorporated under the hospital finance authority act, Act No. 38 of the Public Acts of 1969, being sections 331.31 to 331.84 of the Michigan Compiled Laws, nor shall a corporation or subsidiary corporation otherwise receive the proceeds of bonds issued by such a local hospital authority, except as consideration for property transferred by the corporation or subsidiary corporation to a third party.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989.

### **331.1403 Corporation or subsidiary corporation; additional powers; refinancing or refunding indebtedness; redemption; limitation; determination of board of trustees or subsidiary conclusive; exception.**

Sec. 403. (1) Subject to the approvals required under sections 406(1) and 412, a corporation or a subsidiary corporation may do any or all of the following:

(a) Borrow money and issue 1 or more series of its corporation obligations pursuant to this act in order to finance all or part of the project costs of health care facilities.

(b) Either as part of an issue of corporation obligations for the purposes described in subdivision (a) or separately, borrow money and issue 1 or more series of corporation obligations in order to refinance, refund, or refund in advance any indebtedness of a corporation or subsidiary corporation or any existing indebtedness of the county undertaken for the benefit of the corporation or the subsidiary corporation, in whole or in part. Corporation obligations may be issued to refinance, refund, or refund in advance outstanding indebtedness for any 1 or more of the following purposes:

(i) To reduce the total amount of the debt service costs which would be payable over the term of the outstanding indebtedness.

(ii) To reduce the present value of the debt service costs which would be payable over the term of the outstanding indebtedness.

(iii) To produce a repayment schedule for the corporation obligations more favorable to the issuer than the payment schedule on the bonds being refinanced, refunded, or refunded in advance.

(iv) To secure the release of the local governmental unit from any indebtedness or guaranty undertaken on behalf of the corporation or the subsidiary corporation or to secure terms for any such indebtedness or guaranty more favorable to the local governmental unit.

(v) To enable the corporation or the subsidiary corporation to issue corporation obligations for the purposes described in subdivision (a).

(vi) To enable the corporation or the subsidiary corporation to provide adequate security for the corporation obligations being issued.

(vii) To eliminate restrictions or requirements determined by the corporation or the subsidiary corporation to be excessively burdensome to it or to the local governmental unit.

(viii) To pay when due outstanding corporation obligations or indebtedness incurred by a corporation or subsidiary corporation or by a local governmental unit on behalf of a corporation or subsidiary corporation.

(2) Corporation obligations issued for refinancing and refunding purposes may be issued whether the indebtedness to be refinanced or refunded has or has not matured, is or is not redeemable on the date of issuance of the corporation obligations or is or is not subject to redemption prior to maturity. Refunding corporation obligations shall not be issued unless the issuing corporation or subsidiary corporation determines that there will be sufficient assets or revenues to pay when due the principal or interest on the refunding corporation obligations, other costs, expenses, and charges in connection with the issuance of the refunding corporation obligations and any charges or obligations of the corporation or subsidiary corporation which may be prior or equal to the refunding corporation obligations.

(3) Outstanding indebtedness being refinanced, refunded, or refunded in advance may be called for redemption before maturity on the first possible date, or may be allowed to remain outstanding beyond the

first possible date or redemption, either to a later redemption date or to maturity.

(4) Corporation obligations issued for the purposes of refinancing, refunding, or refunding in advance outstanding indebtedness shall not exceed the amount of principal, interest and redemption premium, if any, of the indebtedness to be refinanced, refunded, or refunded in advance, which has not been paid or provided for, plus such additional amounts as may be required to carry out the purposes of the refinancing or refunding described in subsection (1)(b), plus the marketing, financing, legal, and other costs incurred or to be incurred in connection with the refinancing, refunding, or refunding in advance and the issuance of the corporation obligations, including the costs of funding reserves and paying capitalized interest on the corporation obligations for a period not to exceed 1 year after issuance of the corporation obligations.

(5) The determination of the board of trustees or subsidiary board with respect to the necessity of refinancing, refunding, or refunding in advance, the expediency of refinancing, refunding, or refunding in advance, the sufficiency of assets and revenues to meet corporation obligations and the adequacy of security shall be conclusive, except with respect to the approval of the department of treasury when prior approval is required.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989.

### **331.1404 Corporation obligations as general obligations of issuing corporation or subsidiary corporation; corporation obligations neither local governmental unit nor state debt.**

Sec. 404. (1) Except as expressly provided by the corporation or subsidiary corporation or as otherwise provided in this act, every issue of its corporation obligations shall be general obligations of the issuing corporation or subsidiary corporation payable out of any properties, revenues, or money available to the corporation or subsidiary corporation, including, without limitation, revenues derived from the operation of health services, from the operation, lease, or disposition of health care facilities and other properties, from gifts or grants available for these purposes, from amounts borrowed, including refinancings or refundings, from the proceeds of health care facilities and other assets and from investment earnings from any of those sources, subject only to agreements with holders of particular corporation obligations or holders of other notes and obligations mortgaging, pledging, or granting security interests or other liens in particular properties, revenues, or money.

(2) A corporation obligation shall not be an obligation of nor constitute a debt of the local governmental unit for purposes of any constitutional, charter or statutory limitation unless the local governmental unit has pledged its full faith and credit to the guaranty of such corporation obligation pursuant to section 305. A corporation obligation shall not constitute a debt of or in any way obligate the state.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989.

### **331.1405 Provisions of resolution authorizing issuance of corporation obligations as part of contract.**

Sec. 405. A resolution authorizing issuance of corporation obligations may contain provisions, which shall be part of the contract with the holders of such corporation obligations, as to:

(a) Use and disposition of net revenues derived from the operation of health care facilities and provision of health services, including the pledging or creation and perfection of security interests and other liens in such net revenues and investment earnings and profits thereon to pay principal or interest on the corporation obligations, the creation of reserves or sinking funds and the regulation and disposition of reserves and sinking funds.

(b) Operation, management, and control of health care facilities and health services provided by the corporation or subsidiary corporation, including the granting of mortgages, deeds of trust, security interests, and other liens in health care facilities and other property, which may include additions, improvements, or extensions made after issuance to secure payment of principal and interest on the corporation obligations.

(c) Limitations on the purposes to which the proceeds of corporation obligations may be applied and pledging those proceeds to secure payment of principal and interest on the corporation obligations.

(d) Limitations on the issuance of additional corporation obligations and other indebtedness, and the terms and conditions upon which additional corporation obligations and other indebtedness may be issued.

(e) Insurance to be maintained with respect to the health care facilities and health services or alternatives thereto and the collection, use, and disposition of the proceeds of insurance.

(f) The terms and conditions upon which the holders of corporation obligations, or a portion of the corporation obligations, or any trustees for such holders, shall be entitled to appointment of a receiver by a court which has jurisdiction for the corporation or subsidiary corporation or for all or part of the property of a corporation or subsidiary corporation.

(g) The procedure by which the contract with the holders of corporation obligations may be amended or

abrogated, the amount of corporation obligations, if any, the holders of which must consent to an amendment or abrogation, and the manner in which a required consent may be given.

(h) Vesting in 1 or more trustees, which may be individuals or corporations domiciled or located within or outside the state, of property, rights, powers, remedies, and duties which are necessary or convenient, with or without the execution of a mortgage or deed of trust in favor of the trustee or trustees.

(i) Payment or rebate of investment earnings or profits on the proceeds of corporation obligations or on funds deposited for the payment of principal, interest, or premiums on such corporation obligations to the issuing corporation or subsidiary corporation or its successor.

(j) Covenants and agreements to safeguard the corporation obligations not inconsistent with this act and other applicable law.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1406 Corporation obligations generally.**

Sec. 406. (1) Corporation obligations shall be authorized by resolution adopted by a majority vote of the members serving on the board of trustees of the corporation or the subsidiary board of the subsidiary corporation issuing the corporation obligations. However, the resolution shall not take effect until issuance of the corporation obligations has been approved by a majority vote of the members serving on the county board of commissioners, city council, or village council and, in the case of issuance of corporation obligations by a subsidiary corporation, also by a majority vote of the members serving on the board of trustees of its parent corporation. Approval of issuance of corporation obligations by the county board of commissioners, city council, or village council and, if applicable, by the board of trustees of the parent corporation, may take place before or after adoption of the resolution authorizing issuance by the issuing corporation or subsidiary corporation.

(2) Corporation obligations shall be dated, have the maturities, bear interest at the times and the rates, be in the denominations, be in the form, either coupon or registered or both and either certificate or book entry, carry the registration privileges, be executed in the manner, be payable in the medium of payment, at the place or places and be subject to the terms of redemption and other terms as the resolution provides. Corporation obligations may be sold and remarketed by the corporation or subsidiary corporation or by an authorized officer or agent of the corporation or subsidiary corporation, at public or private sale, at the price or prices, the interest rates, and the maturities as the corporation or subsidiary corporation or an authorized officer or agent of the corporation or subsidiary corporation determines in accordance with limits established by the corporation or subsidiary corporation. The corporation or subsidiary corporation may authorize rates of interest that are variable by reference to 1 or more interest rate indices designated by the corporation or subsidiary corporation or to the rate or rates of interest borne by 1 or more series of obligations of the state or the United States, or to a rate or rates of interest announced by the bank or savings and loan association organized under the laws of the United States or any state as the corporation or subsidiary corporation may designate. The corporation obligations may be sold at a discount and at an interest rate or rates that may be varied by an authorized officer or agent of the corporation or subsidiary corporation within the limits established by the corporation or subsidiary corporation as provided in the resolution. Corporation obligations shall not be sold at a price that would make the interest costs on the money borrowed exceed the maximum interest rate then permitted by the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989;—Am. 2002, Act 395, Imd. Eff. May 30, 2002.

### **331.1407 Refunding corporation obligations.**

Sec. 407. (1) To protect the rights of the holders of bonds or other obligations to be refunded, the proceeds of corporation obligations issued for refunding purposes and any other funds set aside for such purposes, and the investment earnings and profits, to the extent required to be held for future retirement of bonds or other obligations to be refunded, for interest or premiums thereon, or for expenses relating to the refunding, shall be held in trust by a qualified bank or savings and loan association organized under the laws of the United States or any state or the state treasurer pursuant to a trust agreement with the corporation or subsidiary corporation issuing the refunding corporation obligation. This subsection shall not apply if the instruments governing the bonds or other obligation to be refunded require a different disposition of such funds, in which case the terms of the instruments shall apply.

(2) Proceeds of refunding corporation obligations not immediately required for the purposes set forth in subsection (1) may be invested pursuant to the trust agreement in direct obligations of the United States, or in obligations, the principal and interest of which are guaranteed by the United States. If, however, the instruments governing the bonds or other obligations to be refunded provide for defeasance of security upon issuance of the refunding corporation obligation or contain different requirements for the investment of funds,

the funds shall be deposited and invested in accordance with the requirements of the instruments.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1408 Security instruments to continue in effect until principal and interest on corporation obligations paid in full; terms of security instrument; recital.**

Sec. 408. (1) The provisions of this act, any resolution and any mortgage, deed of trust, or other security instrument shall continue in effect until all principal and interest on the corporation obligations has been fully paid or payment has been duly provided for. Any resolution, mortgage, deed of trust, or other security instrument governing the issuance of or securing corporation obligations may provide terms under which it is enforceable by the holder or holders of corporation obligations or a trustee or trustees for their benefit by mandamus, foreclosure, or other appropriate action in any court of competent jurisdiction.

(2) The resolution authorizing corporation obligations shall contain a recital that they are issued pursuant to this act, which recital shall be conclusive evidence of their validity and the regularity of their issuance.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1409 Lien of pledge.**

Sec. 409. Any pledge made by a corporation or a subsidiary corporation to secure corporation obligations shall be valid and binding from the time the pledge is made. The money or property so pledged and thereafter received by the corporation or subsidiary corporation shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act. The lien of the pledge shall be valid and binding against all parties having claims of any kind in tort, contract, or otherwise against the corporation or the subsidiary corporation, without regard to whether such parties have notice thereof. Neither the resolution nor any instrument by which a pledge is made need be recorded.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1410 Personal liability on notes or corporation obligations.**

Sec. 410. Neither the trustees of a corporation or subsidiary corporation nor any person executing notes or corporation obligations under this act shall be liable personally on the notes or corporation obligations or be subject to any personal liability or accountability by reason of the issuance thereof.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1411 Pledge and agreement of state.**

Sec. 411. The state pledges and agrees with the holders of notes and corporation obligations issued under this act, that the state will not limit or alter the rights vested in any corporation or subsidiary corporation to fulfill the terms of any agreements made with the holders thereof, nor will in any way impair the rights and remedies of the holders until the notes or corporation obligations, together with interest thereon, with interest on any unpaid installments of interest, if applicable, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. Any corporation or subsidiary corporation is authorized to include this pledge and agreement of the state in any agreement with holders of such notes or corporation obligations.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1412 Corporation obligations; statutory provisions to which issuance of obligations subject; legality.**

Sec. 412. (1) Except as provided in subsection (2), the corporation obligations shall not be subject to the provisions of the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821. The issuance of corporate obligations described in this subsection is subject to the agency financing reporting act.

(2) Corporate obligations for which a local governmental unit pledges its full faith and credit to guarantee payment are subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989;—Am. 2002, Act 395, Imd. Eff. May 30, 2002.

### **331.1413 Corporation obligations as negotiable instruments under uniform commercial code.**

Sec. 413. Whether or not notes or corporation obligations issued pursuant to this act are of such form or character as to be negotiable instruments under the uniform commercial code, Act No. 174 of the Public Acts of 1962, being sections 440.1101 to 440.11102 of the Michigan Compiled Laws, the notes and corporation obligations authorized to be issued under this act are negotiable instruments, within the meaning of and for all purposes of the uniform commercial code, Act No. 174 of the Public Acts of 1962, subject only to the provisions of the notes or corporation obligations for registration.



**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1414 Notes and corporation obligations as investment securities.**

Sec. 414. The notes and corporation obligations of any corporation or subsidiary issued pursuant to this act are securities in which all public officers and bodies of this state and all municipalities, municipal subdivisions, and public bodies corporate, all insurance companies and associations, and other persons carrying on the insurance business, all banks, trust companies, savings banks and savings associations, savings and loan associations, credit unions, investment companies, personal representatives, administrators, conservators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are authorized to invest in bonds or other obligations of the state, may properly and legally invest funds, including capital, in their control or belonging to them.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1415 State covenants with purchasers, subsequent holders, and transferees of notes and corporation obligations.**

Sec. 415. The state covenants with the purchasers and all subsequent holders and transferees of notes and corporation obligations issued pursuant to this act, in consideration of the acceptance of and payment for such notes and corporation obligations issued pursuant to this act and the income therefrom and all gifts, grants, revenues, receipts, and other money received or to be received, pledged to pay or secure the payment of such notes or corporation obligations shall be free and exempt from all state, city, county, or other taxation provided by the laws of this state, except for estate, inheritance and gift taxes, and taxes on transfers.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

## CHAPTER 5

### **331.1501 Financial reports and annual audits.**

Sec. 501. Each corporation and subsidiary corporation shall prepare and file with the state treasurer annual financial reports and annual audits of its financial records in accordance with the uniform budgeting and accounting act, Act No. 2 of the Public Acts of 1968, being sections 141.421 to 141.440a of the Michigan Compiled Laws. Copies of all financial reports and annual audits filed with the state treasurer shall be filed with the county clerk, city clerk, or village clerk within the time prescribed by Act No. 2 of the Public Acts of 1968, for filing with the state treasurer, including extensions.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989.

### **331.1502 Indemnification of certain persons.**

Sec. 502. (1) A corporation or subsidiary corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, against expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement and actually and reasonably incurred by the person in connection with such action, suit, or proceeding, if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation or subsidiary corporation and the public, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that conduct was unlawful by reason of the fact the person acted in any of the following capacities:

(a) Is or was a trustee, officer, or employee of the corporation or the subsidiary corporation.

(b) Served as a member of a committee of the medical staff or as a member or officer of a department or other administrative unit of a health care facility of a corporation or subsidiary corporation charged with responsibility for reviewing the professional qualifications of applicants for employment, medical staff membership, or clinical privileges, for establishing, administering, or reviewing the professional standards applicable to health services provided by the corporation or subsidiary corporation or provided by others in its health care facilities or for reviewing utilization of health services.

(c) Executed any note, bond, or corporation obligation on behalf of the corporation or subsidiary corporation.

(d) Served at the request of the corporation as a trustee, director, officer, employee, or agent of another public or private corporation, partnership, joint venture, trust, or other enterprise. The termination of any action, suit, or proceeding by judgment, order, settlement conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation and the public and, with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct was unlawful.

(2) Notwithstanding the provisions of subsection (1), no indemnification shall be made with respect to any claim, issue, or matter arising from any threatened, pending, or completed action by the corporation or subsidiary corporation as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of a duty to the corporation or subsidiary corporation unless, and only to the extent that, the court in which such action or suit was brought determines upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as such court shall deem proper.

(3) A corporation or subsidiary corporation may, pursuant to bylaw, contract, agreement, or resolution of its board of trustees or subsidiary board obligate itself in advance to indemnify persons in accordance with subsections (1) and (2), may establish procedures for approval of indemnification in specific instances in accordance with subsections (1) and (2), and may pay expenses incurred in defending a civil or criminal action, suit, or proceeding described in subsection (1) in advance of the final disposition of such action, suit, or proceeding upon receipt of an undertaking on behalf of a person who may be entitled to indemnification to repay such amount unless it is ultimately determined that the person is entitled to be indemnified by the corporation or subsidiary corporation in accordance with subsections (1) and (2).

(4) A corporation or a subsidiary corporation may purchase and maintain insurance on behalf of any person described in subsection (1) against any liability asserted against the person and incurred by the person in any capacity or arising out of the status of the person described in subsection (1), whether or not the corporation would have the power to indemnify the person against such liability under this section.

(5) The powers conferred by this section, and the rights to indemnification which may be created pursuant to this section shall be in addition to all powers and rights with respect to indemnification otherwise provided by law.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1503 Dissolution of corporation or subsidiary corporation.**

Sec. 503. (1) Any corporation which has completed the purposes for which it was organized shall be dissolved by the adoption of a resolution by the affirmative vote of 2/3 of the members serving on its board of trustees, approved by a majority of the members serving on the county board of commissioners, city council, or village council and filed with the secretary of state. Unless a later date is specified in the resolution, such dissolution shall be effective upon filing with the secretary of state. Upon dissolution, all property of the corporation, real and personal, shall immediately vest in the local governmental unit, without further act or deed, and the local governmental unit shall be liable for all undischarged debts and liabilities of the corporation.

(2) Any subsidiary corporation which has completed the purposes for which it was organized shall be dissolved by the adoption of a resolution by the affirmative vote of 2/3 of the members serving on its subsidiary board, approved by a majority of the members serving on the board of trustees of its parent corporation and filed with the secretary of state. Unless a later date is specified in the resolution, such dissolution shall be effective upon filing with the secretary of state. Upon dissolution, all property of the subsidiary corporation shall immediately vest in its parent corporation, without further act or deed, and the parent corporation shall be liable for all undischarged debts and liabilities of the subsidiary corporation.

(3) Notwithstanding the provisions of subsections (1) and (2), a corporation or subsidiary corporation shall not dissolve as long as any notes or corporation obligations issued pursuant to this act remain outstanding, unless such dissolution is specifically authorized by the instruments governing such notes or corporation obligations.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989.

### **331.1504 Tax exemption.**

Sec. 504. All property of any corporation or nonprofit subsidiary corporation and its income and operation is exempt from all taxation by the state or by any taxing unit therein.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.

### **331.1505 Cumulative authority for exercise of various powers; exercise of powers enumerated or not enumerated.**

Sec. 505. (1) This act grants cumulative authority for the exercise of the various powers conferred in this act, and neither the powers nor any notes or corporation obligations issued under this act shall be affected or limited by any other statutory provision now or hereafter in force, other than as may be provided in this act, it being the purpose and intention of this act to create full, separate, and complete additional powers.

(2) The enumeration in this act of powers of county public hospitals and corporations and subsidiary

corporations and their respective boards of trustees and subsidiary boards does not mean that those powers were not reasonably inferable or otherwise authorized under Act No. 350 of the Public Acts of 1913, or Act No. 109 of the Public Acts of 1945, or that powers not enumerated in this act may not be exercised, so long as such exercise is consistent with the purposes of this act, and not specifically prohibited by law.

(3) The enumeration in this act of powers of city public hospitals and village public hospitals and corporations and subsidiary corporations and their respective boards of trustees and subsidiary boards does not mean that those powers were not reasonably inferable or authorized under other state law or under city or village ordinance or charter, or that powers not enumerated in this act may not be exercised, so long as such exercise is consistent with the purposes of this act, and not specifically prohibited by law.

**History:** 1987, Act 230, Eff. Feb. 27, 1988;—Am. 1988, Act 502, Eff. Jan. 1, 1989.

**331.1507 Effective date.**

Sec. 507. This act shall take effect upon the expiration of 60 days after the date it is enacted into law.

**History:** 1987, Act 230, Eff. Feb. 27, 1988.