



**House
Legislative
Analysis
Section**

Washington Square Building, Suite 1025
Lansing, Michigan 48909
Phone: 517/373-6466

DISTRICT LIBRARY BONDS

**House Bill 5752 (Substitute H-1)
First Analysis (6-23-88)**

RECEIVED

**Sponsor: Rep. Susan Munsell
Committee: Taxation**

JUN 21 1988

Mich. State Law Library

THE APPARENT PROBLEM:

The law allows municipalities to join together in operating a district library. A district library can be formed in one of two ways: the governing bodies of the participating municipalities can vote to create a district or a district can be created by a vote of the people residing in the proposed district area. District libraries are financed either by appropriations from the cooperating municipalities or by special tax levies approved by the voters. However, library districts cannot themselves issue bonds to finance major projects, such as building a new facility. If bonds are to be issued, they would have to be issued by the constituent municipalities. Some districts encompass many municipalities; the district library in Howell, for example, which reportedly desires new facilities, services ten local units. Some people believe district libraries should have the authority to issue bonds.

THE CONTENT OF THE BILL:

The bill would create the District Library Financing Act, which would allow a district library to issue bonds or notes to finance the acquisition, construction, and furnishing of buildings or portions of buildings, the acquisition of the necessary sites for library buildings, or the acquisition and installation of equipment necessary for the operation of the library buildings. The bonds would be subject to the Municipal Finance Act. A district library formed by the legislative bodies of the participating municipalities without a vote of the people could only issue bonds with the approval of the electorate. A district library originally formed by a vote of the people would only have to put a bond issue to a vote if the bond issue, together with the district's other outstanding indebtedness, exceeded five percent of the state equalized valuation (SEV) of the taxable property within the district. In the first case, the governing board of each municipality would have to adopt a resolution putting the bond issue on the ballot at an election to be held simultaneously in all participating municipalities. In the second case, the district library board would by resolution put the bond issue on the ballot. A proposal to issue bonds could also be put to the voters at the same time as a proposal to create a district library. Bonds issued under the bill would be debts of the district libraries, not of the municipalities that formed the district. If a municipality withdrew from a district, taxes imposed for payment of bonds would continue to be levied as if the municipality had not withdrawn until the principal and interest were paid in full. If bonds were issued under the terms of the bill, the district library board would by resolution authorize and levy the necessary taxes, which would be levied and collected with the county taxes. If bonds were issued without a vote, the tax levy would be subject to a vote of the electors.

A library district could also issue bonds for the purpose of refunding outstanding debt. Refunding bonds or the refunding part of a bond issue would not be considered to be within the five percent of SEV limitation but would be considered authorized in addition to the five percent limitation. The bill would specifically authorize a library district to acquire real or personal property for use by

library purposes by purchase, land contract, installment purchase contract, lease with or without option to purchase, or title retaining contract.

FISCAL IMPLICATIONS:

There is no information at present.

ARGUMENTS:

For:

The bill would allow district libraries to issue bonds for various kinds of building projects rather than having to rely on the bonding authority of the participating municipalities. District libraries often serve many local units, which is an obstacle to bonding. The district libraries have the ability, with the people's consent, to levy taxes to repay the bonds.

POSITIONS:

There are no positions at present.

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