



Senate Fiscal Agency  
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## BILL ANALYSIS



Telephone: (517) 373-5383  
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Senate Bill 481 (as enrolled)  
House Bill 4578 (as enrolled)  
Sponsor: Senator Darwin L. Booher (S.B. 481)  
Representative Phil Potvin (H.B. 4578)  
Senate Committee: Local Government  
House Committee: Local Government

Date Completed: 6-2-16

**RATIONALE**

The Recreational Authorities Act allows two or more municipalities or districts to establish a recreational authority for the purpose of acquiring, constructing, operating, maintaining, or improving certain types of facilities, such as a public swimming pool, recreation center, and auditorium. Among other things, a recreational authority may levy a millage within its territory and issue bonds and notes to finance its facilities. Some people have suggested that including a school district among the entities that may form an authority could result in cost efficiencies and enhanced recreational programs and opportunities.

**CONTENT**

**House Bill 4578 would amend the Recreational Authorities Act to allow a school district to be a participating municipality in a recreational authority.**

**Senate Bill 481 would amend the Recreational Authorities Act to do the following:**

- Provide that a tax levied by an authority could be used only for the purposes specified in the Act and could not be used by the authority for any general fund or school operating purposes.
- Allow a tax levied by an authority to be used by a participating municipality for managing the operation of the authority's business pursuant to a contract.
- Require an authority to consider offering preferences or benefits to the residents of participating municipalities if it levied a tax.

The bills are tie-barred and each would take effect 90 days after its enactment.

**House Bill 4578**

The Act allows two or more municipalities or districts to establish a recreational authority, for the purpose of acquiring, constructing, operating, maintaining, or improving one or more of the following:

- A public swimming pool.
- A public recreation center.
- A public auditorium.
- A public conference center.
- A public park.
- A public museum.
- A public historic farm.

The Act defines "municipality" as a city, county, village, or township. The bill would include a school district in that definition.

(The Act defines "district" as a portion of a municipality having boundaries coterminous with those of a precinct used for general elections.)

### **Senate Bill 481**

#### **Levy of Taxes**

The Act allows an authority to levy a tax of not more than one mill for up to 20 years on all of the taxable property within the authority's territory for the purposes of acquiring, constructing, operating, maintaining, and improving a public swimming pool, public recreation center, public auditorium or conference center, or public park. The authority may levy the tax only upon the approval of a majority of the electors in each of the participating municipalities voting on the tax at a statewide general or primary election.

The bill specifies that the proceeds of a tax levied under the Act could be used by the authority only for the purposes described in the Act and could not be used by the authority for any general fund purposes of a participating municipality or any school operating purposes of a participating municipality that was a school district.

The proceeds could be used, however, for general fund purposes by a participating municipality if the proceeds used were directly related to managing the operation of the business of the authority pursuant to a contract between the authority and that participating municipality.

#### **Preferences or Benefits**

The bill specifies that, if a majority of electors voting on the question of a tax levy in each of a recreational authority's municipalities approved the tax, the authority would have to consider offering preferences or benefits for the residents of the participating municipalities. The preferences or benefits could include any of the following:

- Discounted admission fees.
- Discounted membership fees.
- Discounts for school children.
- Access to educational programs.

MCL 123.1141 et al. (S.B. 481)  
123.1133 (H.B. 4578)

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

It is important for local governments to identify ways in which cooperative arrangements can increase efficiency, reduce costs, generate revenue, and deliver enhanced services. Many of the types of facilities that are central to recreational programs, such as swimming pools and auditoriums, are owned by school districts. In some communities, a shuttered school also could be an ideal location for a community recreational center. For these purposes, it would seem natural for school districts and local governments to form partnerships, in which responsibility for funding and service delivery would be shared.

In Big Rapids, for example, the city and school district are interested in jointly operating recreational facilities to enhance opportunities for people in both the city and the broader school district, but officials from both entities believe that the Recreational Authorities Act needs to be amended to specifically allow school districts to participate in authorities with municipalities. Both

the city and the school district have adopted resolutions supporting legislation to include school districts among governmental entities that can join or form a recreational authority. The supervisor of Big Rapids Charter Township also has expressed support for the effort of the city and school district to form a recreational authority, and the city manager of Fremont has urged the consideration of legislation to permit school participation in recreational authorities.

### **Supporting Argument**

Often, especially in rural areas, school district boundaries tend to define the local market of recreational activity and facility use better than the boundaries of individual townships and villages. Amendments to the Act that were adopted in 2003 added a district to the entities that may form and operate a recreational authority, but the definition of "district" is limited to a portion of a municipality having the same boundaries as an election precinct. If participating municipalities wanted to include an entire school district in a recreational authority, they would have to include portions of every municipality within the school district. In the case of the Big Rapids School District, this would require participation by nine townships, each of which would have to seek a millage approval if the recreational authority sought to levy a tax under the Act. In addition, while each of those municipalities would be a member of the authority and have representation on its board, the school district would not. It would be more efficient to include the entire school district as a participating municipality under the Act, which would allow the district to participate in the recreational authority.

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

To the extent that including a school district as a municipality that can establish (with another municipality) or join a recreational authority would increase the frequency of recreational authority formation or expand the territory of an existing authority, the bills could result in an increase in recreational authority property tax revenue and spending. Approval of the school district voters would be required for a school district to join an existing authority or participate in founding a new recreational authority. The levy of recreational authority millage requires approval by a majority of the electors in each of the participating municipalities. The millage rate for a recreational authority is limited to one mill for a period of up to 20 years. Senate Bill 481 specifies that the revenue from a recreation authority millage could not be used for any general fund purposes of a participating municipality, except for direct costs of managing the recreational authority pursuant to a contract. That bill also would prohibit the use of the revenue from a recreational authority for school operating purposes.

The bills would have no fiscal impact on State government.

Fiscal Analyst: Elizabeth Pratt

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.