



**House
Legislative
Analysis
Section**

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PERMIT CO-OP LIBRARIES TO BORROW MONEY

House Bill 4527 as introduced
First Analysis (11-6-89)

Sponsor: Rep. Dominic J. Jacobetti
Committee: Appropriations

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H.B. 4527 (11-6-89)

THE APPARENT PROBLEM:

The state aid to public libraries act governs the operation of cooperative libraries in the state. Library cooperatives usually consist of a group of smaller libraries that band together to provide a network of services which a single library cannot afford. Member libraries are compensated by money appropriated under the act for various items and services such as books, computer services, inter-library loans, bookmobile services, and the like. The Superior Land Cooperative (SLC) Library in Marquette, one of three Upper Peninsula library cooperatives, is composed of 13 different rural libraries. The SLC recently relocated its central office from the Marquette Public Library, where it rented space, to a nearby building it purchased. Apparently, after the SLC moved it noticed the act was silent on whether a library cooperative can go into debt either to purchase or rent property for establishing an office. (Before the move, the SLC paid rent due the public library out of funds it received through the act.) To complicate matters, an attorney general opinion states that the act's silence on the issue implies that cooperatives are prohibited from incurring such debt. Some believe the law never intended to keep cooperatives from borrowing for these purposes as long as they could show a lender financial stability just as any borrower is required to do. These persons feel the act should be amended to permit cooperative libraries to borrow up to a specified limit for purchasing property, building new facilities, or renting office space.

THE CONTENT OF THE BILL:

The bill would amend the state aid to public libraries act to allow a cooperative library board to become a vendee under a land contract with a purchase price of not more than \$500,000, or to obtain a loan of not more than \$500,000 secured by a purchase money mortgage.

MCL 397.558

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill could increase cooperative library board expenditures up to \$500,000 for purchasing sites, erecting buildings, or leasing office space. Any increase would depend on how much was borrowed or spent, up to the limits in the bill, for any of these purposes. (10-31-89)

ARGUMENTS:

For:

The bill would allow library cooperatives to incur up to \$500,000 debt to purchase land, build facilities, or rent office space. Library cooperatives provide outlying member libraries valuable services which one of these alone otherwise could not afford to offer its patrons. If a library cooperative board was financially capable, it should be allowed to incur debt for reasons specified in the bill.

POSITIONS:

The Michigan Library Association supports the bill. (11-3-89)